WÜRTH GROUP

REAL.

www.wuerth.com

Annual Report of the Würth Group 2016

WÜRTH GROUP

THE REAL DEAL.

THE WÜRTH GROUP AT A GLANCE

WÜRTH GROUP

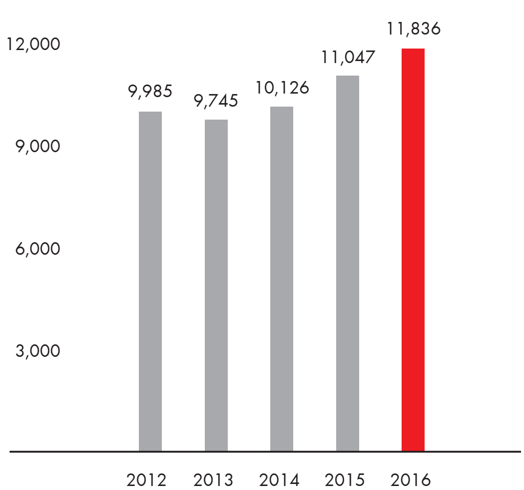
		2012	2013	2014	2015	**2016**
Sales	in millions of EUR	9,985	9,745	10,126	11,047	**11,836**
Employees	No. of	65,169	63,571	66,044	68,978	**71,391**
Pre-tax operating result *	in millions of EUR	415	445	515	525	**615**
Return on sales	in %	4.2	4.6	5.1	4.8	**5.2**
EBIT	in millions of EUR	448	495	554	572	**643**
EBITDA	in millions of EUR	762	798	831	903	**988**
Net income for the year	in millions of EUR	279	309	378	434	**462**
Cash flow from operating activities	in millions of EUR	618	599	612	630	**903**
Investments	in millions of EUR	465	433	367	525	**481**
Equity	in millions of EUR	3,204	3,399	3,683	4,083	**4,470**
Balance sheet total	in millions of EUR	7,649	7,978	8,142	9,210	**9,711**
Rating by Standard & Poor's		A/stable	A/stable	A/stable	A/stable	**A/stable**

The consolidated financial statements of the Würth Group are prepared in accordance with the International Financial Reporting Standards (IFRS).

* Earnings before taxes, before amortization of goodwill and financial assets, before the collection of negative differences recognized in profit or loss and before changes recognized in profit or loss of non-controlling interests disclosed as liabilities.

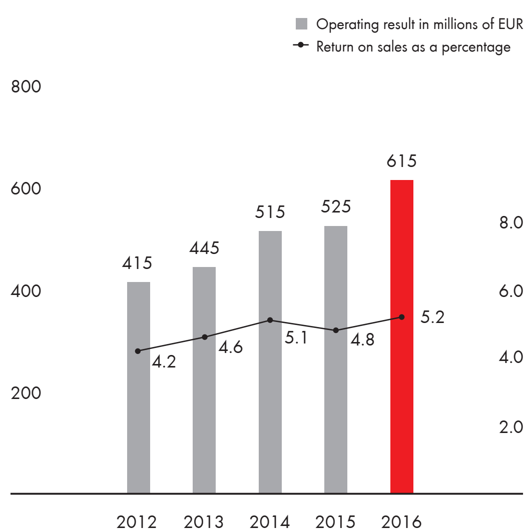
SALES

Würth Group in millions of EUR



OPERATING RESULT

Würth Group in millions of EUR

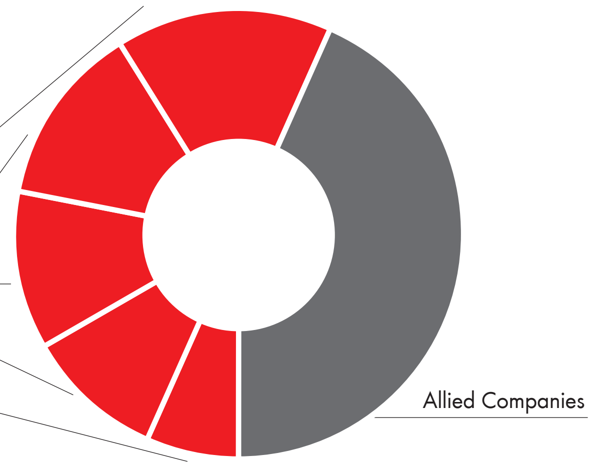


OPERATIONAL UNITS

SHARE OF SALES

Divisions of the Würth Line

	2016 in %	**2016** in millions of EUR	2015 in millions of EUR	Change in %
Metal	15.6	**1,850**	1,765	+ 4.8
Auto	13.1	**1,549**	1,502	+ 3.1
Industry	11.4	**1,354**	1,180	+ 14.7
Wood	10.0	**1,178**	1,124	+ 4.8
Construction	6.4	**754**	686	+ 9.9
Total	56.5	**6,685**	6,257	+ 6.8



SHARE OF SALES

Business units of the Allied Companies

	2016 in %	**2016** in millions of EUR	2015 in millions of EUR	Change in %
Electrical Wholesale	11.5	**1,359**	1,186	+ 14.6
Trade	7.2	**858**	796	+ 7.8
Electronics	5.8	**686**	609	+ 12.6
Production	5.3	**628**	605	+ 3.8
RECA Group	4.7	**559**	527	+ 6.1
Tools	3.3	**386**	381	+ 1.3
Chemicals	2.0	**236**	240	– 1.7
Screws and Standard Parts	1.8	**217**	225	– 3.6
Financial Services	0.9	**108**	111	– 2.7
Other	1.0	**114**	110	+ 3.6
Total	43.5	**5,151**	4,790	+ 7.5

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WHAT IS THE REAL DEAL?

There is something magic about the things that are actually real. They elicit emotions and create a sense of proximity and trust. A real work of art, a real smile, a real friendship. Things that are "real" always share one key characteristic: they touch us in a profound way. In a world in which mere appearances are often considered to be all that matters, we find ourselves longing more and more for things that are real, genuine and authentic. When it seems as though we are surrounded by copies at every turn, we start to yearn for something original again, while things that are genuine and real start to become more important.

The word "real" has a wide array of denotations. On the one hand, it can be used to describe something that is "not artificial," "original" or "authentic." A signature or an ancient gold coin can be gauged as real. A "real Picasso" is a picture that was actually painted by Picasso. Oftentimes, "real" can also refer to something that is "true" or "genuine." We talk about real friendships or sometimes about real problems.

The opposite of real is artificial, an imitation or a fake. All fakes aim to delude and mislead people. Some fakes are so well executed that you would find it virtually impossible to distinguish them from the original. And yet: When something turns out to be an imitation, we are usually disappointed and feel deceived. After all, we expected something different, namely the real deal, the original.

We attach particular importance to things that are real. Real banknotes can be used as legal tender, whereas fake banknotes cannot, even if they are identical in appearance. Two watches might appear to be exactly the same down to the very last detail. And yet there is a decisive difference nonetheless: one is a precious branded watch for which collectors would be willing to pay astronomical sums of money, while the other is (probably) but a worthless copy. But what exactly does the value of something that is real represent? And what distinguishes things that are real from things that are not?

In general, we deem something to be real when its authorship is ensured and its origin guaranteed. A real signature is the signature of the actual individual whose name it bears. A real banknote can only be one produced by a central bank. Whether or not something is real always requires a form of testimony, be it in the form of a watermark, a certificate or an individual.

But it is not just appearance that determines whether or not something is real. Sometimes, fakes can appear to be so real that even experts cannot tell the difference. But even if every single atom of the copy is identical to the original, it remains a copy all the same. Real things, on the other hand, always have a unique author and tell that author's own special story – they have an "aura" about them, as the philosopher and cultural essayist Walter Benjamin once described it. Products also have a sort of aura about them. They preserve the spirit of their inventor, the creative idea and the hard work invested in their development. A fake product might well be just as good or even better than the original. But it is still just a cheap copy, a mere imitation.

You can tell whether a company is real or not by looking at whether or not it tells a story that has evolved over time. In a real company, you talk to real people with real knowledge and real experience. A real company offers real solutions, real added value – and not just an illusion. Digital technologies are making processes faster and things more convenient for customers. But they are no substitute for real, analog relationships. Real customer proximity requires real people who can provide real responses to their customers' needs.

The word "real" evokes associations with an element of truth. A real friend is a true friend – and not someone who merely pretends to be one. A real friend is somebody we can rely on. Real products, real services and real customer contact are also all honest things. This is because they actually are what they appear to be – instead of turning out to be something different entirely.

Only genuine relationships can foster real trust. A computer algorithm works strictly according to defined rules. You cannot enter into real dialogue with it. It does not have to take responsibility if something goes wrong. You can only really trust people with whom you have a personal relationship and shared experiences.

You need honesty for something to be genuine. Be it a friend, a product brand or a company: we must not be deceived. We have to know where we stand. However, honesty alone is not enough. Someone can be honest – and boring nevertheless. We expect things that are real to be more than just genuine. We expect them to be something special, unique, original. If genuine things were replaceable, then they would not really be genuine.

A real friendship is one that cannot simply be replaced overnight. It is founded on special qualities and stability that we can trust. We do not want to swap it for another one. We also expect genuine products to meet certain criteria and standards. We expect the quality and reliability to which we are accustomed from that particular manufacturer and brand. Real things do not always have to be the best. But they have to offer the right quality for my specific purpose.

Things that are real and authentic do not change on a whim. They always remain true to themselves. As such, things that are real always have something stubborn and resistant about them, too. Sometimes, a real friend might say something that we do not want to hear. A real customer relationship can also handle criticism because it is about more than merely selling products and services. The salesperson and the customer have a close relationship and something to say to each other.

A fake, on the other hand, does not stay true to itself. It adapts to fit in with others, it ingratiates itself, it pretends to be something it is not. A fake is false to its very core, which is exactly why it is not genuine. That is why a fake product is something we trust as little as we trust fake news or a fake relationship that feigns a sense of proximity that does not really exist.

Customers have real needs and real problems to which they want to find solutions.

Customers have real needs and real problems to which they want to find solutions. And they are real people with emotions, moods and worries. Good salespeople show a real interest in their customers and listen to them first before talking themselves. And when they talk, they stand by what they say. They keep their promises and do not promise anything they cannot deliver. A real salesperson cannot simply be replaced at the drop of a hat. Real salespeople are no fakes, or sales robots with a false smile that deal with customers based on the same algorithm time and time again. Real salespeople are unmistakable originals – people with real values, experience and a story behind them.

The value of things that are genuine is becoming particularly evident in the digital world, in which products and relationships are becoming increasingly abstract and expendable. This is where being genuine really makes a difference. Real things have a name, an origin, an individuality. That is why we can establish sustainable relationships with them, which is something we cannot do with a fake.

Things that are real differ from things that are not in the sense that they are unique and original. They are inextricably linked to people and ideas that determine their special character. Ultimately, it is the unmistakable real people behind something that make it real.

REAL RELATIONSHIPS

Barbara Millicent Roberts, or Barbie® for short, must be one of the most well-known, albeit one of the most controversial, toys in the world. Barbie® is not just accused of glorifying our consumerist society: Ever since the doll was launched on the market back in the 1950s, she has been accused of promoting an unrealistic body image. Barbie® is also the perfect woman living with the perfect man in a perfect dream house – with fashionable clothes, a car, a horse, a swimming pool and everything that a little girl might dream of – or everything that the manufacturer thinks a little girl should dream of. "Life in plastic – it's fantastic!" was the irony-laden song by the Swedish band Aqua in the 1990s. But would life in plastic really be so fantastic? Looking at the frozen smiles of those around us every morning, having plastic relationships instead of real ones with rough edges, bad days and changing moods? We would be trapped in a fantastical dream that soon turns out to be a nightmare. Barbie®'s world might seem to be picture-perfect from the outside, but would we really swap with her? Exactly.

Real trust. Good, long-term relationships are founded on trust. As much as we would like to have everything under control, this is virtually impossible nowadays with our highly complex business processes. No, the modern (business) world requires us to trust our partners and colleagues – and that poses a big ask. Trust has a unique quality of its own. It cannot be programmed and cannot be compared to, or replaced by, anything else. Trust always requires something up front to begin with. It does not just materialize by itself, but needs time and practice. And anyone who trusts also runs the risk of being disappointed. Those who dare to trust nonetheless stand to get a lot back in return.

REAL PEOPLE

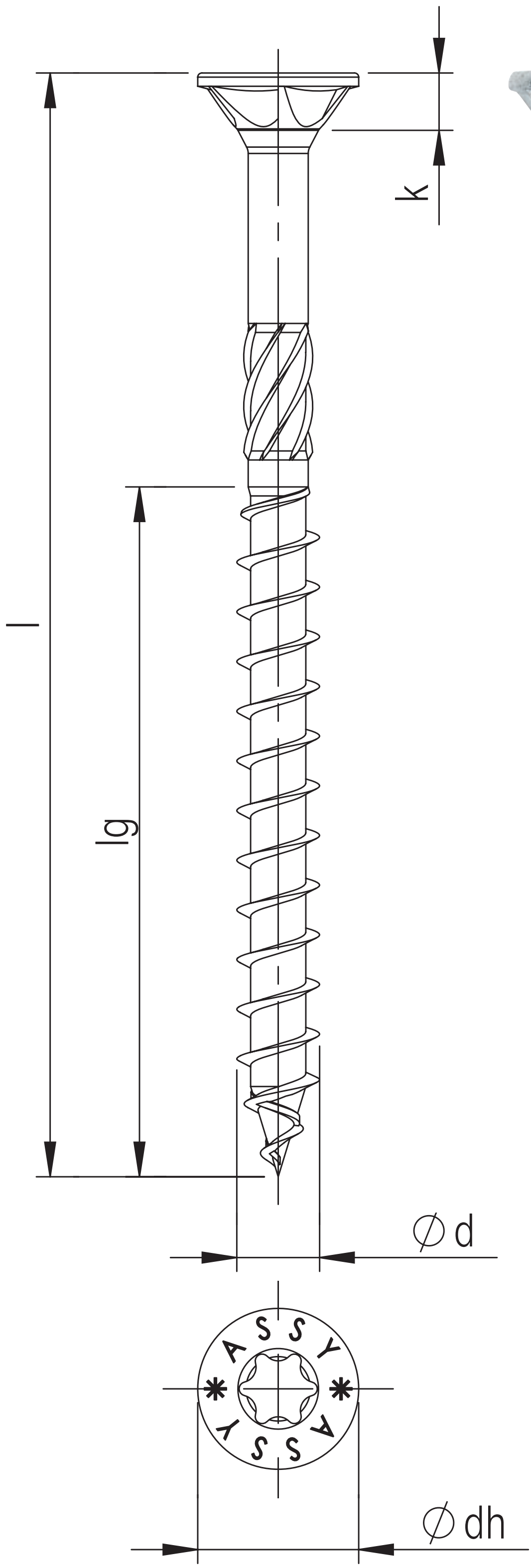
What is authenticity? Be yourself! Find your true self! On the one hand, calls like these are problematic: there is no “true core” within us that has to be set free. Our personality is not etched in stone, but continues to change throughout our lifetime. On the other hand: we have all experienced moments in which we suddenly realized that we were doing something alien to us, something that was not right for us, and this usually is not a good feeling. Being authentic means being content with our actions and not trying to be something we are not.

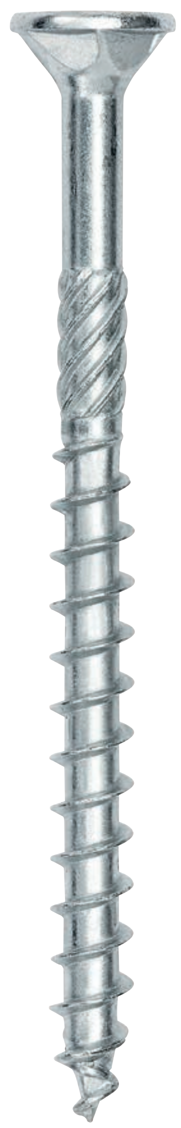
The difference between real people and robots?

There are some websites on which you first have to check the “I am not a robot” box before you can use the service in question. Now of course, it is not entirely inconceivable that a robot could be programmed to check the box. There are already robots that look and move like people, hold conversations and perform certain tasks, and as technology advances, they are becoming more and more similar to humans. But will a robot ever know what it is suggesting when it claims to be a human? Sophisticated technology cannot create a sense of self-awareness yet.

ORIGINAL AND COPY

How can you recognize the authenticity of ...? In most cases, a trained eye can recognize whether something is genuine or not. For anyone who is not an expert, it is more difficult, which is why fake branded goods are so successful. How, for example, can you recognize real gold? Do you use the "bite test" alluded to by the Olympic medalists? That would not really be advisable, because only pure gold is soft enough for you to leave bite marks in it. Most pieces of jewelry or coins are made of gold alloys and are much harder. Even the Olympic gold medals now consist of more than 90 silver. So all that glitters certainly is not gold.





SCREW WITH A HEAD

And what makes a product real? The main difference between the original and the fake lies in the story behind it: the original has an idea, a new concept, an inventor behind it. The fake merely imitates the end result, skipping the creative process involved in designing the product. However, the copy would not be possible without the original. A copy is never an action – it is always a reaction.


Section of filament


Pre-formed screw blank


Pressed screw blank


Rolled screw blank


Hardened screw


ASSY® 3.0 galvanized steel partial thread vertical milling pocket head AW 6 x 80 / 50 (art. no. 0170 160 80)

Describing something as asymmetrical and symmetrical at the same time might appear illogical at first glance, but this contradiction is precisely the secret behind the ASSY® screw. The asymmetrical and symmetrical thread cuts into wood faster than normal threads do. It does this by reducing the tension in the fibers, thus ensuring that the wood does not split as much. The end mill is also a feature of many ASSY® screws and is another innovation which, together with the milling pockets, allows the screw to be sunk as evenly and smoothly as possible. The patented AW drive in the screw head combines the best of Phillips-drive and star-drive models – ensuring optimal power transmission.

Since 1997, Andreas Wunderlich (photo), who holds a degree in engineering, has been responsible for the further development of the ASSY® screws. He invented the ring thread of the ASSY® 3.0, which was launched in 2008 / 2009. “It is not necessarily the major developments that determine the success of the ASSY® screw,” says Wunderlich, “Rather, it is the wide range of different head shapes, lengths or thread diameters. Our customers value the top quality, which is why our sales force enjoys selling them.”


The inventor: Andreas Wunderlich has been responsible for ASSY®, which is celebrating its 25th birthday this year, since 1997.

REAL SALES

Incidentally: Like all Würth products, you can purchase the ASSY® screw using several channels:

- with your sales representative
- in the online shop: wuerth.de
- in a branch office
- via the Würth App

Elvis was a sensation. With his "Rockabilly," songs like "Jailhouse Rock," his swinging hips and his pompadour haircut, he revolutionized the history of music in the 1950s and shaped generations of fans. Ever since, countless artists have tried to imitate the "King of Rock 'n' Roll" – but they were all just poor copies of the star whose songs still manage to inspire the masses. The original remains the original: artists can try as hard as they like to get the pompadour and the swinging hips right – but the real Elvis was, and remains, unrivaled.

Real business. The key to success is a personal relationship that has developed over a period of many years – partnership with customers. This is the inner core of the Würth universe, a global network of 1,700 branch offices and more than 71,000 employees. When sales representatives greet customers with a handshake, they create a link to this universe and give the network a personal, authentic face. The company's values are reflected in the sales representative's enthusiasm and passion: high quality standards, good service, proximity to our customers. So it is no wonder that, when our sales representative turns up on the door step, you hear the call: "Würth's here!"

REAL LIFE FOR REAL MONEY

Today, we trade time for money and money for products. These trades used to be more direct in the past. Just like in the past, every successful trade is a little miracle. Both sides give something and both sides receive something – and both emerge as winners. Back in the Stone Age, the deal was: "Make some arrowheads for me and I'll cook you dinner." Today, the arrowhead production process is much more complex, not to mention the marketing and sale of manufactured goods. We have also replaced the mammoth hunt with much more complex processes. Supply and demand is now conveyed in monetary terms, both for products and for labor. We can only do real, good business if we offer and maintain real values on the basis of mutual respect and appreciation – a good basis for real life.

THE REAL COMPANY

An industrial estate. Big buildings. Mirrored facades. It all looks fairly similar regardless of where you are in the world. The atmosphere is often interchangeable.

A real company is different. It has a company building whose architecture says something and conveys the message behind the corporate values to the outside world. Its character blends into the character of the environment and also shapes it at the same time; this is precisely why Würth attaches so much importance to different designs for its company buildings depending on the region. Employees feel at home. They know, value and trust each other. Everyone knows that ultimately, everybody has to work in unity.

A real company has an identity that cannot be bought, but has deep roots in the company's history – in the personalities of its founders, in its learning processes and successes. The things you can read in the mission statements and codes of ethics are put into practice as a matter of course: respect, trust, fairness, responsibility.

A real company thinks and acts global, but still has its two feet firmly planted in the place it calls home, which is the source of its strength. This includes its innovative strength. Innovation does not originate from prescribed brainstorming sessions, but rather from a culture in which the meaning of something is important as opposed to just the current stock market value: How can we give the world what it needs? That is the motto.

The thing that makes real companies stand out is their long-term success. Success that more or less develops by itself because everyone is committed and everyone knows that their performance will be recognized. Employees live for the company that they know and value as their own. The company stands behind its people, supporting, promoting and challenging them. For success in real life.

Personal message from Reinhold Würth:

A good boss has, at some point, thought of (almost) everything in his own head and done (almost) everything with his own hands. He does not embody individual parts, but rather the whole entity that makes up his company.

Reinhold Würth in 1995 filling an ORSY® shelf

THE REAL WÜRTH!

Photos have their own reality. They do not just record things as they are. They also hint at what could be – and what might actually materialize later on. You do not have to know what Adolf Würth and his son Reinhold actually had to discuss when they took a walk in the woods back then, in the early 1950s. And you do not have to know what Reinhold Würth and his daughter Bettina were talking about either (photo on the right). And yet, both photos reveal something about the future, about big plans.

You can see the father smiling proudly, the up-and-coming screw wholesaler with a cigar in his hand. And opposite him, his young son, dressed in a suit like his father, standing at attention. He is alert, curious, prepared.

The company founder Adolf Würth and his young son Reinhold

during a Sunday walk in the woods near Künzelsau, around 1953

A young man about to make the leap into real life.

When his father died suddenly at the age of 45 on December 14, 1954, then Reinhold Würth, who had just turned 19 at the time, really had to "leap." He grew up in his father's small company and accompanied his father on customer visits even as a teenager. He was familiar with the business from his apprenticeship. After his father's death, the business had to continue. There was no time to lose. Things had to be done.

The company was there – that was the reality.

Reinhold Würth took over the business, pulled up his sleeves and got started. Barely a week after his father's death, he set off on a sales trip to the Rhineland region. Initially, his efforts were focused on keeping the company afloat, on remaining solvent and creating a solid basis, following his father's example. Very soon, one of the biggest strengths of the entrepreneur Reinhold Würth started to come to the fore – his sense of reality. He realized early on that trading in screws is no business for dreamers and fantasists.

But Reinhold Würth was not just a realistic thinker. He also had a knack for recognizing opportunities. He soon recognized the opportunities that the business had to offer, especially during the era of Germany's economic miracle. And he realized that he could not increase his sales arbitrarily if he remained the only one embarking on sales trips. In order to better exploit sales opportunities, he needed new employees. And so he started setting up a dense sales force network – one that would form the basis for the company's transformation into a global trading group.

But the ability to see both reality and opportunities also means thinking outside the box. And that is how, alongside the Würth Line – the conventional core business involving the distribution of assembly and fastening materials – a second operational unit emerged: the Allied Companies. These trading and production companies operate in similar fields of business and currently account for around 40 percent of total sales.

It is this combination of a sense of reality and opportunity that continues to make Würth what it is today. On the one hand, the sense of what is real, down-to-earth and reliable and, on the other, the "sense of possibility" as the author Robert Musil once described it: a feel for market opportunities, for the potential that individuals and relationships offer. Most importantly, however, it is the understanding that a successful, forward-looking company needs both of these elements – solid roots in reality and the ability to identify and seize opportunities.

Every company needs visions. But even the most adventurous ideas have to stand up to a reality check. Reality is the foundation on which possibilities are based. Only things that are real can hold out against an illusion. After all, only real products create real benefits, and only real customer relationships survive. Only a real company has a future.

The real thing about Würth lies first and foremost in its products. High-quality products that tradesmen really need to solve real problems. This includes a service that focuses on the customer's needs. Customers know what they get from Würth and that they will get it. Today, Würth customers can order all of their products in the online shop. But they can also go to a branch office, touch the products with their hands and seek advice. The real sales situation, the real product and personal contact with sales representatives create trust and reliability. The Internet offers additional ease and convenience.

The "real" thing about Würth is its relationship with its customers. Würth wants to know what its customers want. It strives to understand their problems, their reality, their world. Customers have a face for Würth, and Würth has a face for its customers. The two do not just know each other, they share experiences: Does the product really help the customer, or is there a better alternative? What leaves a customer disappointed and what makes him happy? The best sales pitch at Würth is one that is not just about selling, but rather about the relationship between people. Real relationships like these are what shapes Würth's core business to this day: every Würth sales representative effectively vouches for the brand, for service and quality. But at the same time, the Würth brand vouches for each individual employee.

Prof. Dr. h. c. mult. Reinhold Würth and daughter Bettina Würth

at the Würth Congress in Barcelona, September 2016

The real thing about Würth is ultimately the company itself. Its history, its regional roots, its employees. In spite of the move towards globalization, Würth has remained tangible. There are no computer algorithms and data streams behind the Würth brand, but rather real people and relationships. And it was with these real people and relationships that it all began, with Adolf and Reinhold Würth, with the discussion they had in the woods that day.

The ideas passed down from father to son were then passed down by the son to his family and employees: stay realistic and down-to-earth, do not lose touch with reality – but recognize and seize opportunities all the same. As Reinhold Würth learned early on, a real entrepreneur is someone who is able to realize his possibilities.

Every reality, however, has its own possibilities, and every real company has individual opportunities that it can exploit in various ways. Reality can change and many things are possible. Things can turn out very differently than one might have imagined.

It is this sense of possibility that is expressed by the photo of the Würth father and son – a sense of things that are yet to be, but could one day come to pass; the photo of Reinhold and Bettina Würth tells exactly the same story. The sense of a possible reality, a future that is yet to be created. Today, we know what these possibilities have been turned into – a very real global corporation. But we also know that the story will continue, with new opportunities, new photos – revealing a new reality.

A RESURGENCE OF THE OLD NATION-STATE MENTALITY

Ladies and gentlemen,
Dear readers,

The UK's imminent exit from the EU, the rise of right-wing populism, financing questions that remain unresolved – should we be worried about Europe's future? My personal answer is: yes, but only to a certain extent!

The morning of June 24, 2016, the day after the UK voted for Brexit, came as the surprise of the decade for me, because I would never have believed that the UK's citizens would vote to leave the European Union – regardless of how the story ultimately ends. After all, only time will tell whether the UK's decision will signal the beginning of the end for the European Union or merely prove to be a Pyrrhic victory for all of the continent's Farages, Le Pens, Wilders, Grillos, Petrys and Meuthens. The answer will only start to become evident in ten years. But as a notorious optimist, I believe that Brexit could ultimately prove to be a victory for the continuation of European unity.

Has it not always been the case that, during its 43-year EU membership, the UK has always pursued its own interests first to the detriment of European unity? I'm afraid that I cannot help but confront my British friends with this accusation. Margaret Thatcher's handbag became an amusing – or perhaps not so amusing – symbol of the British approach to Europe when the Prime Minister threw it down on the desk and declared to Brussels: "I want my money back!" As an EU member, the UK was always more of an impediment and a stumbling block than an advocate of the idea of the United States of Europe.

The exit negotiations, which will begin shortly under the auspices of the shrewd French EU politician Michel Barnier, will serve as free PR work for the EU's institutions – something that has been sorely neglected to date – and provide a wide range of "aha" moments and eye-openers in all 27 remaining EU states, particularly among the rural population and those who are not interested in politics in general.

Never say "never"

At the age of 81, I can definitely say that, in life, you should never say "never"! As such, I have not given up hope, despite what I just said, that our British friends could be in for a surprise themselves in the course of the Brexit negotiations. How? Quite simply: The UK Supreme Court could rule that the House of Commons is the body responsible for the Brexit negotiations, Scottish First Minister Nicola Sturgeon could announce that she wants to see another referendum for an independent Scotland if Scotland cannot remain an EU member without the rest of the UK, Northern Ireland could refuse to accept the introduction of a border with the Republic of Ireland, prompting a government crisis. Prime Minister Theresa May could call a reelection, with the candidates for the House of Commons declaring "If you vote for me, then you have to know that I will be voting for the UK to remain in the EU" – and there you go, the Brexit vote of 2016 could suddenly disappear into the dustbin of history. However, the UK is not the European Union's only problem.

Prof. Dr. h. c. mult. Reinhold Würth,
Chairman of the Supervisory Board of the Würth Group's Family Trusts,
Honorary Chairman of the Advisory Board of the Würth Group

My concerns about Europe revolve around two issues: firstly, the political, emotional, nationalistic movement that is currently proving to be such a successful weapon for EU prophets of doom. This undercurrent is all about making brutal appeals to "loyalty to one's homeland," praising the status quo and resisting any sort of change, just like the example set by Nigel Farage and Boris Johnson, who managed to secure a victory for Brexit by telling what were, in part, evident lies. Similar behavior can be seen from Marine Le Pen with her Front National, Geert Wilders in the Netherlands, Beppe Grillo in Italy or Frauke Petry and Jörg Meuthen in the AfD. They would all appear to have the same overarching objective, namely to break up and destroy the European Union at all costs in order to return to the old nation-state mentality. The wave of xenophobia and right-wing extremism that has been used and exploited in equal measure is reason enough to be worried about the future of the European Union. My other EU concern is related to the financial markets and the stability of the euro.

As a businessman and someone who is not a politician, I could certainly come up with a few suggestions on how to resolve the difficulties. In the era of PR battles and fake news, I believe that there is one key and simple issue at play: information.

IT WOULD BE A LOT EASIER IF, BEFORE THE UNITED STATES OF EUROPE IS ULTIMATELY ACHIEVED, WE WOULD AT LEAST TRANSFER POWER OVER THE FOUR MOST IMPORTANT POLITICAL ISSUES TO BRUSSELS.

Despite countless obstructions, the huge task of the millennium, namely uniting Europe, has made astounding progress in the 70 years since the Second World War, and essentially without actually getting the public involved. This is what makes the following all the more important: Today's youth in particular, who did not bear witness to the dark days of German-French enmity, need vast quantities of objective information on why we must never return to the small-state mentality of the days before 1945.

Europe needs better PR

In this respect, the PR budgets assigned to the EU's institutions should be increased tenfold. Every single household within the European Union should receive a 20-page EU brochure setting out the latest developments within the EU every six months. The wallflower existence of the news channel Euronews needs to be revamped to feature programs for young people, moving away from its image as a stoic information channel for civil servants with editorial offices where you can virtually see the spider's webs on the walls and news items that are notorious for lagging behind n-tv, CNN and Bloomberg anyway. And that is not all: The statistics authority Eurostat has to reach out to the public with lively representative surveys of real informational value and explanations of every single positive development. Even the awkward President of the European Commission Jean-Claude Juncker needs younger, more likely press spokespeople in the same league as Steffen Seibert, spokesman of the German Chancellor.

Europe has a glorious history. But it needs people and institutions that can finally explain this history in an understandable and lively fashion – not, as in the case of Brexit, as a warning against alleged populism, but as the glittering epic tale that it is.

This also means finally naming the covert opponents of EU development, and by that I mean many leading national politicians in individual EU countries. Leading figures within all parties in all EU countries are currently unanimous in their belief that we do not need a United States of Europe, but rather that we are perfectly satisfied with a Europe of sovereign states. The real reason for this is that these leading politicians become all the less important and powerful the more authority they hand over to Brussels. Although no top politician would admit it, they would rather draw up an unachievable EU Charter for the next 100 years than take specific action to shape the immediate future.

It would be a lot easier if, before the United States of Europe is ultimately achieved, we would at least transfer power over the four most important political issues to Brussels, subject to no reservations, within the next five years: finance, foreign policy, defense and transport.

Just consider how many billions could be saved every year if there were no longer 27 independent embassies of the EU states, plus one EU embassy, in Washington, but simply one European embassy. With France's veto right, this European Union would be a powerful partner on the UN Security Council, on an equal footing with the other three powers: the USA, Russia and China. And that is not to mention the billions that could be saved by streamlining the diplomatic services, standardizing weapon systems in a European army and introducing a uniform European transport planning system for transportation by land, water and air. All of these measures would provide the resources for an economic stimulus program of gargantuan dimensions.

People want to live in peace and freedom

Thoughts like these do not need to remain a utopia. There is no doubt that a large number of problems lie ahead as far as currency policy and resolving the euro crisis are concerned – once again, a single EU ministry of finance would be a huge help in this regard! But what do European citizens in Lampedusa, Lodz or Rovaniemi want? They want to live in peace and freedom. But they do not want to see their freedom in peace curtailed bit by bit within the EU by their national politicians, as in Poland or Hungary. We have to stand up to the forces calling for an exit from the EU, who want to see the 27 EU countries being driven off the global market, at least in economic terms, by the major superpowers in the USA, China and Russia at all costs, destroying the wonderful levels of prosperity we have achieved in Europe in the process.

All EU citizens should have a headline appear on their computer screen every morning when they switch it on: "70 years of peace and freedom without war was something that Europe had never seen – until the European Union made it possible! Is there a greater success story than that?"

If every single EU citizen understood and identified with this message, then I believe that this would create a radiant sunrise for the future of a strengthened European Union – either without the United Kingdom or with a reformed United Kingdom. And this would bring us very close indeed to the vision expressed by Victor Hugo at the second international peace congress of 1849 in Paris, a vision that appeared to be crazy at the time: the vision of a "United States of Europe."

Yours

Reinhold Würth

An initial version of the essay by Prof. Dr. h. c. mult. Reinhold Würth
appeared as a guest commentary in the Handelsblatt newspaper on January 26, 2017.

WÜRTH IS COMMITTED

KUNSTHALLE WÜRTH Kunsthalle Würth was opened in Schwäbisch Hall 15 years ago. High-profile exhibitions featuring works by Picasso and Busch attracted an interested audience in the anniversary year, too.

EXPERIENCING ART AND CULTURE

Kunsthalle Würth, Schwäbisch Hall Fifteen years after being founded, Kunsthalle Würth in Schwäbisch Hall reported a record number of visitors yet again: In July, Kunsthalle Würth welcomed the Austrian entrepreneur and former mayor of Salzburg Karl Gollegger, the three millionth visitor since it was opened in May 2001. This once again showed that the building on the edge of Schwäbisch Hall's historical center has become well established as an internationally renowned location presenting contemporary and modern art and visitor numbers that make it one of the most popular private museums in the world.

The exhibitions "Regarding Wilhelm Busch – Max and Moritz meet Struwwelpeter" and "Picasso and Germany" alone, which were showcased in parallel to each other during the summer months, attracted a total of just under 200,000 visitors.

Wilhelm Busch – immediately one thinks of the two rascals Max and Moritz, of Pious Helen (also known as Helen who couldn't help it), the painter Squirtle (Klecksel) and other wonderfully illustrated stories that have enchanted generations. The exhibition at Kunsthalle Würth, however, paid tribute not only to the humorist, draftsman and rhymester, but also to his remarkable painterly oeuvre which was represented at Kunsthalle Würth in works from his early studies to the expressive landscape paintings characteristic of his later works. Thanks to the cooperation with Museum Wilhelm Busch – Deutsches Museum für Karikatur & Zeichenkunst in Hanover and the curatorial support from Busch expert Dr. Hans Ries, the exhibition provided an overall image of the artist and man Wilhelm Busch in the form of 350 paintings, drawings, letters, and documents. The exhibition also featured another children's classic: Heinrich Hoffmann's "Struwwelpeter," numerous editions of which rounded off the presentation.

Pablo Picasso (1881–1973) is considered one of the most influential artists of the 20th century. He plays a particularly special role in Germany, home to more Picasso collectors and dealers than any other country before the First World War. The exhibition in cooperation with the Museo Picasso Málaga, which was modified for Kunsthalle Würth, presented around 80 Picasso works from all of his creative phases in juxtaposition to around 150 works by Cranach (the Elder and the Younger), Beckmann, Ernst, Dix, Grosz, Heckel, Kirchner, Nolde and others. More than 40 international lenders helped to create this abundance of different works. The entire Picasso works from the Würth Collection were also included in the exhibition.

The major collection exhibition entitled "Water, Clouds, Wind," which is dedicated to natural and weather phenomena, will run until the late summer of 2017. Water, clouds and wind in their myriad manifestations determine the climate of our planet earth and form part of our everyday lives. They have fascinated humankind and also been reflected in our artwork since time immemorial. With art from the Middle Ages to the present day, the exhibition follows the impressive strategies developed by artists over the centuries to render landscapes, seas, submarine worlds, and flowing or fleeting elements visible. The presentation follows exhibitions centered on wide-ranging art and cultural history observations within the Würth Collection relating to the themes of the Forest (2011/12), the Concept of Man (2012/13) and Animal (2013/14). More than 200 works by more than 160 artists showcase the endeavor to make the phenomenon of water tangible.

ÖHRINGEN HORTICULTURAL SHOW

The Würth Collection presented a "Sculptural Vista" consisting of twelve, in part monumental, sculptures by internationally renowned artists to visitors of the horticultural show. One highlight was the work depicting three dancing figures by Tony Cragg, which was on display for the very first time.

Museum Würth, Künzelsau The exhibitions hosted at Museum Würth in Künzelsau have explored the diversity of the Würth Collection in full. One such exhibition displayed contemporary sculptures by artists who had won the Robert-Jacobsen-Prize. Afterwards, Museum Würth provided a glimpse into the African art landscape with a selection of paintings, collages, graphics, photographs, textile works, and sculptures by contemporary artists who live and work in Namibia. The exhibition, which featured around 150 works, was made up of a collection of works recently purchased together with private loans and loans from the National Art Gallery of Namibia in Windhoek. The exhibition entitled "Poetry in Colour between Phantasy and Reality. Cantastorie by the Maldera and Parisi Families of Puppeteers in the Würth Collection" proved to be a true discovery. This was the first time that around 100 posters and background sets were exhibited within the confines of a museum. The works in tempera on packing paper, created in the years between 1900 and 1948, are vital, earthy and colorful adaptations of themes from traditional Italian culture.

Johanniterkirche, Schwäbisch Hall One highlight of the exhibition year was the return of the Darmstadt Madonna of the Lord Mayor Jacob Meyer zum Hasen by Hans Holbein the Younger, which has been back in Schwäbisch Hall's Johanniterkirche since December 2, 2016, after being on display in Berlin's Bode Museum and the newly opened Swiss National Museum. In return, significant loans from Zürich had been on display in Johanniterkirche in the meantime, perfectly complementing the works exhibited there, which date back to the time around 1500. The Swiss National Museum in Zurich had sent an impressive shrine of a retable displaying the Holy Kinship as well as two panels of a St. John's altarpiece made by the famous Swiss painter Hans Fries (from around 1465 to 1518). Four expressive, finely sculpted busts of evangelists by an anonymous carver complete the presentation in the choir of Johanniterkirche.

CARMEN WÜRTH FORUM The convention center Carmen Würth Forum is characterized by the unique architecture of David Chipperfield and its proximity to Würth's headquarters.

Carmen Würth Forum A new convention center is being constructed opposite the premises of Adolf Würth GmbH & Co. KG: Carmen Würth Forum. Professor Reinhold Würth wants to use the architecturally sophisticated structure to express his thanks to and recognition of his wife, after whom the forum is named. Carmen Würth will be celebrating her 80th birthday on the day the forum opens on July 18, 2017. The convention center will be used for company and cultural events within Würth. Subsidiaries, municipalities, local authorities, companies, and sport and cultural clubs will also be able to rent the forum for private events. Covering a total area of roughly 11,000 square meters, Carmen Würth Forum offers a wide range of possibilities for all sorts of events: The multifunctional event location features a large hall that can be sub-divided, the Great Hall with room for more than 2,000 people, the chamber music hall with fixed seating – the Reinhold Würth Hall with 600 seats – and a spaciously designed foyer. Outside, the building offers a large open area for outdoor events with space for up to 10,000 visitors.

One special feature, in addition to the building's extraordinary architecture, is its proximity to Adolf Würth GmbH & Co. KG with the integrated Museum Würth, the Museum for Screws and Threads and the state-of-the-art logistics center. In order to offer visitors and event organizers added value, Carmen Würth Forum is to be established as an event location for the triad of business, art and culture. The building was designed by David Chipperfield Architects in Berlin. In addition to Museum Folkwang in Essen, the firm also designed Berlin's Neues Museum ("New Museum") and the Museum of Modern Literature in Marbach. Its timeless exterior allows Carmen Würth Forum to blend into the surrounding landscape perfectly.

SHARING COMMITMENT

Würth Foundation The purpose of the Würth Foundation is to promote art and culture, science and research, training and education, as well as to provide support to refugees and immigrants. Founded back in 1987 by Reinhold and Carmen Würth, the foundation focuses on projects from the Hohenlohe region, where the Group has its headquarters. The foundation currently has a total capital of EUR 7.6 million.

The Würth Foundation is the sponsor of the Competence Center for Economic Education and the educational institutions Freie Schule Anne-Sophie in Künzelsau and Berlin. Moreover, it serves as the trustee administrating the funds of the Foundation for the Promotion of Reinhold-Würth-Hochschule of the Heilbronn University of Applied Sciences in Künzelsau. Other major third-party projects include Hohenloher Kultursommer (a series of cultural events in the Hohenlohe region), as well as the international violin competition organized each other year by Kulturstiftung Hohenlohe (Hohenlohe Cultural Foundation), Junge Oper Schloss Weikersheim and Jeunesses Musicales Germany.

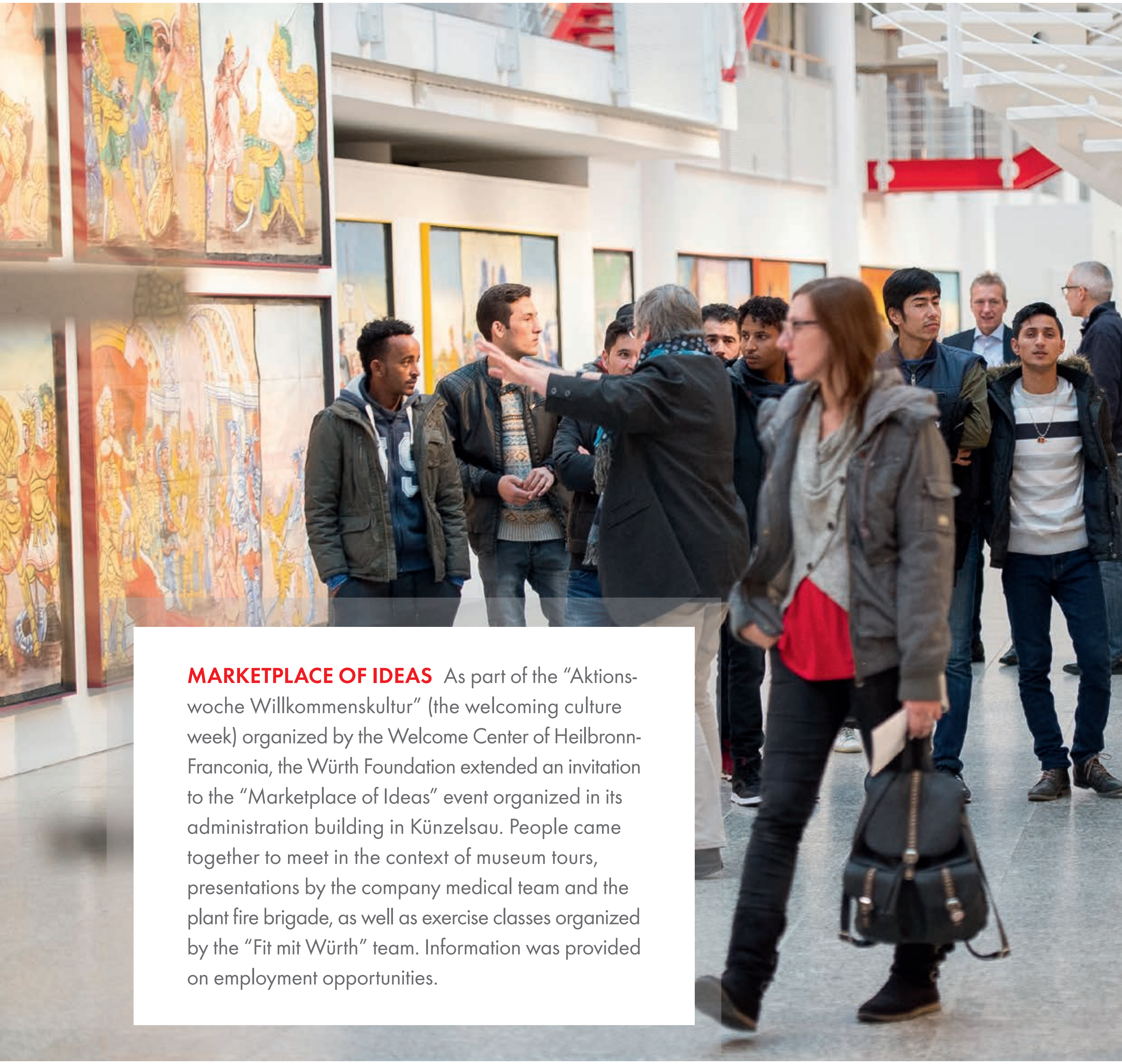
Commitment to refugees Integrating refugees is a long-term socio-political challenge to which the Würth Foundation seeks to rise. As a result, an integration center has been set up together with the Hohenlohe district authorities. A residential facility has also been set up in a company building. Language courses and leisure opportunities such as visits to museums or summer vacation programs for school children also form part of this commitment. Alongside other providers, Akademie Würth itself offers language and integration courses.

The refugee choir has already performed several times. The 20 young men, who come from Afghanistan, Syria, Turkey, Gambia, Eritrea, Iran and Iraq, meet every week to sing together and were welcome guests at events such as Christmas markets or the horticultural show in Öhringen. They also enriched the “Marktplatz der Begegnungen” (Marketplace of Ideas) initiated by the Würth Foundation with a performance.

The Würth Prize of Jeunesses Musicales Deutschland A new approach to string quartets! This is the key message that the vision string quartet from Berlin wished to convey. The young musicians fascinate audiences of all ages in major concert halls and at classical music festivals all across the nation. They play almost all of their concerts from memory – including their classical repertoire. The four string players also perform their own jazz-inspired compositions. They are all advocates of the art of improvisation and enjoy experimenting with innovative concert formats. The award, which is endowed with prize money in the amount of EUR 15,000, was presented for the 25th time at the end of June 2016 in Würth Haus Berlin.

Lars Vogt is an internationally acclaimed solo pianist and conductor who has shown a multi-faceted commitment to flourishing musical life. His festival entitled “Spannungen” in Heimbach / Eifel reflects his open attitude to unusual performance venues and his love for chamber music. It was on his initiative that the “Rhapsody in School” project was launched, creating a network of high-profile artists who have visited schools across Germany since 2012. Lars Vogt is helping to shape the musical world with his creativity and passion and is committed to the future of classical music within society. In October 2016, the award ceremony for the 26th Würth Prize of Jeunesses Musicales Deutschland, which includes prize money in the amount of EUR 15,000, at Freie Schule Anne-Sophie in Künzelsau was a truly special experience, especially for a large number of pupils.

Würth Prize for Literature The Würth Prize for Literature went to Kai Metzger from Düsseldorf, Stefan Habermann from Öhringen and Klaus Gottheiner from Trier. The topic had been chosen by the authors Kathrin Passig and Clemens Setz in 2015 during the Tübingen Poetry Professorship at the University of Tübingen, which is sponsored by Würth. The topic was: “Kurz-Info Schränkung und Blattstärke” (short product information on set saw blades and blade thickness). The prize of EUR 7,500 in total is awarded for works of prose with a length of around 10,000 characters that stand out by going their own stylistic ways. The 20th anniversary of the Tübingen Poetry Professorship was celebrated with a ceremony at the University of Tübingen.



MARKETPLACE OF IDEAS As part of the "Aktionswoche Willkommenskultur" (the welcoming culture week) organized by the Welcome Center of Heilbronn-Franconia, the Würth Foundation extended an invitation to the "Marketplace of Ideas" event organized in its administration building in Künzelsau. People came together to meet in the context of museum tours, presentations by the company medical team and the plant fire brigade, as well as exercise classes organized by the "Fit mit Würth" team. Information was provided on employment opportunities.

WÜRTH PRIZE FOR EUROPEAN LITERATURE

Peter Handke was awarded the 10th Würth Prize for European Literature. The jury recognized the epic poet, dramatist, writer, essayist and translator for reflecting his cross-border cultural experiences in his works.

Würth Prize for European Literature The Austrian author Peter Handke was awarded the 10th Würth Prize for European Literature in Stuttgart. From the jury's perspective, he has long been considered a "contemporary literature classic." Handke, born in 1942 in Griffen (Carinthia), reflects his cross-border cultural experiences in his works and has already received numerous international awards for his work as an epic poet, dramatist, writer, essayist, and translator.

The Würth Prize for European Literature, which is worth EUR 25,000, recognizes literary efforts that reflect Europe's cultural diversity and is awarded every two years. It is mainly presented to personalities who work at the crossing of different cultures, deal with European cultural traditions or dedicate themselves to problems that first emerged in their country due to European influence. Writers whose work and life reflect these special cultural experiences in particular are awarded this prize. "All of these things hold particularly true for Peter Handke," said the jury.

Special Olympics Deutschland On Carmen Würth's initiative, Würth has been supporting the German organization of the world's largest sporting event for people with mental, physical and multiple disabilities, which is recognized by the International Olympic Committee (IOC), since 2008. To date, around 700 volunteers from Würth have taken part in Special Olympics Deutschland (SOD) – with 100 of them supporting the National Summer Games in Hanover in 2016.

Anne-Sophie Hotel and Restaurant Carmen Würth's work with and for people with disabilities is motivated by the desire to provide help and recognition, support and encouragement. With the Anne-Sophie Hotel and Restaurant in Künzelsau, she has created a place where people with and without disabilities can meet as equal partners in their day-to-day work.

Be it as part of the service team, in the kitchen or in housekeeping, the disabled employees come together in a cordial, reliable atmosphere as key members of the core staff. There is no place for self-doubt or doubts as to whether or not one belongs to society at Anne-Sophie Hotel and Restaurant. After all, everybody has something to offer: warmth, talent, skills. This creates an atmosphere that shapes the very character of the hotel and restaurant. An atmosphere that bears the hallmark of Carmen Würth. The hotel currently employs a workforce of 80, around one quarter of whom have disabilities.

Representative offices In Berlin since 2003 and in Brussels since 2005. Würth attaches a great deal of importance to critical dialogue with social groups and institutions. Würth Haus Berlin and Würth Office Brussels have established themselves as key dialogue forums for German and international politics. They focus, in particular, on matters related to foreign trade policy in business as part of the EU's trade regulation. Listening and understanding, but also articulating and commenting – this is how Würth believes debate should take place with business and industry, at discussion rounds, conferences and receptions. Both representative offices also offer a platform for cultural events in order to convey our understanding of commitment in a hands-on manner. Our aim is to be open so that others can be open with us.

ANNE-SOPHIE HOTEL AND RESTAURANT

Being part of society, part of the working world, part of a team – the Anne-Sophie Hotel and Restaurant gives people with disabilities a place where exclusion and prejudice are checked at the door. People with and without disabilities work together hand in hand.

SHAPING EDUCATION

Freie Schule Anne-Sophie A school where no child is left behind – is how Bettina Würth explained her motivation for setting up the independent school Freie Schule Anne-Sophie. This motivation has been turned into an initiative: The all-day school opened with its own unique educational concept in 2006. On October 1, 2016, the private school celebrated its 10th anniversary. More than 620 children currently attend the school, which comprises all general school levels, from elementary school to high school. The bilingual sister school opened in 2011 in Berlin.

The first day of school was back in 2006 in the buildings of the former agricultural school in Künzelsau. The big move followed in 2008 when the children moved onto the new campus located on the Taläcker residential estate in Künzelsau, close to Adolf Würth GmbH & Co. KG, the parent company of the Würth Group. Five buildings covering a total area of more than 40,000 m², make up the learning village, which boasts its own swimming pool and gymnasium.

Pupils at Freie Schule Anne-Sophie are referred to as "learning partners", while the teachers are described as "learning coaches": this reflects the concept behind the school. The focus is on the individual development of every single child and on strengthening their individual social skills. Learning is based on a child's own performance and development path. A great deal of attention is paid to the environment. The term "free" which is incorporated into the name of this "free school" (freie Schule) also influenced the architectural plans: space for individual, independent learning promotes creativity, provides a place of retreat or somewhere to meet with others. "Learning should be fun. It should be about discovering something new every day and getting answers to a large number of questions. It should prepare our children for life and give them the opportunity to discover their strengths and compensate for their weaknesses," is how Bettina Würth describes her motivation.

Freie Schule Anne-Sophie is designed to serve as a guiding light, sending signals out to the educational landscape regarding the possibilities and opportunities within education and the personality development of our children. The aim: "Every child is to leave Freie Schule Anne-Sophie as a winner." This is what Bettina Würth wishes for her school, learning partners and learning coaches.

ANNIVERSARY CEREMONY
(from left to right) Dr. Bernhard Bueb, Chairman of the School Advisory Board of Freie Schule Anne-Sophie, Bettina Würth, Stefanie Anhalt, moderator, and Leon Kaulbersch, who graduated from Freie Schule Anne-Sophie in 2015, discuss the special educational concept behind the school.

10 YEARS OF FREIE SCHULE ANNE-SOPHIE

"Achtung Mensch! Menschenbilder" (Watch out people! Images of people) – the motto for the anniversary year. The learning partners met personalities from the world of sports, politics, business, arts and the media, such as TV presenter Kai Pflaume, the alpine director of the German Ski Association Wolfgang Maier, and Member of the European Parliament Dr. Inge Grässle. They talked about their background, their milestones and the stumbling blocks along the way. During an art lesson, the learning partners turned their impressions into sculptures.

COMPETENCE CENTER FOR ECONOMIC EDUCATION

The economic education of young people is a matter close to Prof. Dr. h. c. mult. Reinhold Würth's heart. The entrepreneur set up the Competence Center for Economic Education in 2005 under the umbrella of the Würth Foundation.

Competence Center for Economic Education The Competence Center for Economic Education aims to improve knowledge of economic processes and entrepreneurial spirit among pupils and teachers alike and to get the participants interested in economic issues. The Competence Center cooperates closely with the Ministry of Education and Cultural Affairs, Youth and Sports of Baden-Württemberg to help schools raise these issues in school. One example of this commitment is the Würth Education Prize. Every year, the prize is awarded to secondary schools in Baden-Württemberg for outstanding projects in the field of economics. The participating schools receive professional support with the implementation of their projects from the Competence Center for Economic Education for a period of one year. Total prize money of EUR 12,000 is awarded to six schools. In 2016, the first prize, which is worth EUR 4,000, went to Parkschule Gaildorf for the further development of their company run by pupils.

In addition to the Würth Education Prize, the main activities of the Competence Center for Economic Education include a company placement program and the Werkrealschulpreis (secondary technical school prize), a prize awarded at the state level for outstanding achievements, as well as the annual Management Symposium that addresses interesting topical issues from the worlds of school and business. Guided by the motto "Talente entdecken! Talente fördern!" (Discovering talent! Promoting talent!"), 96 interested individuals met to discuss the impact of targeted talent promotion on achieving positive changes within our society in the long term.

Lifelong learning Continued education is a key component of the corporate culture at Würth. It is meant for everyone, from people just starting out their careers to specialists and managers. In addition to commercial, logistics and technical apprenticeships, Würth also offers Bachelor's degree courses in these areas in collaboration with Baden-Württemberg Cooperative State University. At the moment, Würth is training more than 1,184 up-and-coming employees across Germany as part of the two programs.

There are many development opportunities within the Group. Akademie Würth was set up in 1991 and allows employees to put together their own further education program.

Akademie Würth Business School offers Würth Group employees and interested external parties programs for further academic training for working professionals. Students can work towards a Bachelor of Arts in cooperation with the Distance Learning University in Hamburg. They can also enroll for an internationally recognized Master of Business Administration (MBA), which has been developed over the course of the years. The MBA is offered in collaboration with the University of Louisville in Kentucky, USA.

University promotion In 2005, Adolf Würth GmbH & Co. KG set up the Foundation for the Promotion of Reinhold-Würth-Hochschule of Heilbronn University in Künzelsau. The University currently offers eleven hands-on courses of study leading to Bachelor's and Master's degrees in the fields of business and technology. Approximately 1,500 students are enrolled. The Künzelsau campus is one of three campuses of Heilbronn University. The foundation's work helps to strengthen the university itself, as well as research and teaching in the region, and to forge ahead with the internationalization of the university. The Würth Group contributes an endowment of ten million euro to the foundation. The vast range of promotional measures includes investments in additional equipment for research purposes, degree courses and scholarships for students.

The foundation used a further donation of ten million euro made by Würth to acquire land on the university campus to construct a building for teaching and research. The foundation wants to use this commitment to secure the Künzelsau location in the long term and promote its expansion.

LIFELONG LEARNING

Prof. Dr. R. Charles Moyer, Dean Emeritus of the University of Louisville, presented the certificates: Jana Rommersbach is delighted with her master's degree.

Treffpunkt Forum As part of the series of events entitled "Treffpunkt Forum" (Meeting Point Forum), the Federal Finance Minister Dr. Wolfgang Schäuble visited the company's headquarters in Künzelsau in June 2016. The evening focused on the question "Wie weiter – in Deutschland und in Europa?" (Where do we go from here – in Germany and Europe?) The politician from Germany's Christian Democrats (CDU) spoke to around 420 guests about the challenges Germany and the EU are facing. The recent decision made by the UK to leave the European Union made the event all the more significant. "I could cry about the outcome of the referendum in the UK," was the conclusion drawn by the politician. He then answered questions asked by moderator Bernadette Schoog on European identity and the refugee crisis.

"Treffpunkt Forum" is a series of events at Akademie Würth organized for employees of the company and for interested persons of the general public, and offers the opportunity to discuss topical issues with prominent guests from the fields of business, politics and society.

Fit mit Würth For more than 20 years now, the "Fit mit Würth" health management program at Adolf Würth GmbH & Co. KG has been offering a vast range of services, including action and health days, seminars and a broad range of courses geared towards promoting health and boosting personal well-being. The health program is aimed at employees, pensioners and family members. In addition to providing an opportunity to enjoy exercise, the various course times, which are largely adapted to fit employees' varying work schedules, have made the program popular and help employees to strike a better balance between family and working life. The appealing, light studios and the large terrace, which encourages people to exercise and relax outdoors, create a pleasant and soothing atmosphere.

Health is becoming an increasingly important issue at the subsidiaries, too: The Würth Elektronik Group, for example, has launched an in-house company health campaign called "WEtality" featuring a vast range of courses at its German locations. The program is rounded off by lectures on health and well-being, as well as annual health days and health check-ups.

FIT MIT WÜRTH

Outdoor pilates course. In 2016, Adolf Würth GmbH & Co. KG received the Corporate Health Award's seal of excellence for outstanding corporate health management.

SPORT SPONSORING

Felix Neureuther is the Alpine skier poster child of the German Ski Association (DSV). With more than 600,000 fans, he is one of the most popular German skiers on Facebook.

Sport sponsoring Würth is using the motto "100% quality," translated into the individual national languages of the corresponding teams, to advertise at almost 200 European qualifying games for the 2018 World Cup. The quality message reinforces the essence of the Würth brand, while the translations into the national languages highlight the Group's international standing. The additional advertising for the websites of the countries in question sends a clear message regarding Würth's e-business activities as a multi-channel company. This means that international soccer is and remains the Würth Group's biggest sponsoring focus, one which benefits all Würth companies in Europe and beyond. In addition to the advertising activities in Spain (referee advertising) and Germany (featuring various Bundesliga players), in 2016 Würth once again presented itself as a strong brand in what is by far the general public's favorite sport. The commitment to soccer is supplemented and digitally enhanced by betting games in a number of countries. The Würth Bundesliga betting game at wuerth.de/tippspiel, for example, is by far the company's most successful microsite with around one million clicks a month, and at the same time an excellent customer loyalty tool.

In addition to soccer, winter sports were the second pillar of Würth's sponsoring strategy in 2016. Würth could be seen on television for around 250 hours during the last season, allowing the company to reach out to 8.8 billion people. Furthermore, the company maintains a strong presence in print and online media, allowing Würth to draw considerable attention to the brand during the winter.

Our brand presence in the field of motorsports is multifaceted. While the successful commitment to the US NASCAR racing series forms the cornerstone of Würth's activities, Würth is also starting to plant its flag in the world of motorsports in Asia and South America. As part of an international video campaign on 40 years of motorsport ("Würth – Motorsport Partner since 1976"), earlier campaigns were used again to revive the sponsoring capital of the past in a cost-effective manner. At the same time, Würth is looking into various options for stepping up the transformation of sponsoring commitments in the digital world. Our brand has already been implemented into various racing games free of charge, giving Würth additional brand presence in the virtual arena.

REPORT OF THE ADVISORY BOARD

Bettina Würth, Chairwoman of the Advisory Board of the Würth Group

Ladies and gentlemen, dear readers,

Our 2016 Annual Report is about "The real deal" and everything that this topic entails. What made us choose this leitmotif? Is real value still important these days when we are frequently confronted with copies? Can we even tell what is real anymore? And most importantly, what does "the real deal" mean for us?

An explanation of "real" can certainly be found in the question as to whether something is real or an imitation. After all, things that are real are genuine, authentic and feel right. Therefore, "real things" are not something you can measure or understand. Rather, you need to touch and feel them. And for us as a company, this means that our customers receive real advice, that our employees receive real leadership and that our management can enjoy real cooperation.

Work of the Advisory Board

In 2016, the Advisory Board of the Würth Group held four extensive meetings, with a joint strategy meeting of the Advisory Board and the Central Managing Board being held in July 2016. These meetings were based on the reports of the Central Managing Board members on the business situation, projections, and opportunity and risk management. All transactions subject to approval pursuant to the company statutes were submitted to the Advisory Board for approval in good time and considered in detail; in urgent cases, resolutions were passed by circular resolutions.

In 2016, the work of the Advisory Board was characterized to a considerable degree by the strategic developments within the Würth Group and by the provision of advice to the Central Managing Board on these strategic matters. In addition to the further development of the conventional Würth business model, the Advisory Board took an in-depth look at the strategy of a number of business units in the Allied Companies. The Advisory Board also focused on issues related to acquisition controlling and investments.

The committees met three times each in 2016. These meetings serve to increase the efficiency of the Advisory Board and carry out preparatory work on complex issues. The committee chairs each report regularly to the Advisory Board as a whole about the work of the committees.

On April 25, 2017, the Advisory Board's Audit Committee took an in-depth look at the 2016 consolidated financial statements, including the Group management report, as well as the audit report prepared by Ernst & Young, in which an unqualified opinion was issued. The Audit Committee examined these documents and approved them. The Audit Committee's work in 2016 also focused on risk management and the effectiveness of the Group's Auditing Department.

The Advisory Board's Investment Committee assessed the investment projects that are subject to approval and classified them according to urgency and significance. The Würth Group will remain true to its investment culture as a prerequisite for the company's growth, meaning that the investments approved for the 2017 fiscal year will be at a similar level to previous years in relation to the sales growth of the Würth Group. The Advisory Board approved the investment and financial plan of the Würth Group for the 2017 fiscal year at its meeting on December 2, 2016, based on the proposal submitted by the Investment Committee.

The Advisory Board's Personnel Committee dealt with all personnel measures falling within the Advisory Board's area of responsibility at its meetings. The committee focused on HR development and management succession planning, as well as on the structure of the company's incentive and remuneration systems. The Personnel Committee has the power to pass resolutions regarding employment contracts and management remuneration.

The Advisory Board of the Würth Group would like to thank the Central Managing Board and the Supervisory Board of the Würth Group's Family Trusts for their good working relationship, especially Prof. Dr. h. c. mult. Reinhold Würth, Chairman of the Supervisory Board of the Würth Group's Family Trusts. We would also like to thank all employees for their strong commitment and their drive, as well as all our customers and business partners for their loyalty to the Würth Group.

Sincerely,

Bettina Würth,
Chairwoman of the Advisory Board
of the Würth Group

REPORT OF THE CENTRAL MANAGING BOARD

Robert Friedmann, Chairman of the Central Managing Board of the Würth Group

Ladies and gentlemen,

When we think about whether or not to endorse a comment, whether a scenario appears coherent or a discussion honest, then we quickly start splitting things into two categories in our own minds: that was an original, and that was just a copy. This is why “real” is the topic of our Annual Report. We had already considered the topic before fake news became a social problem.

For us, “real” also has something to do with time. It is about the moment of perception, understanding or recognition. So the concept of “time” is closely linked to what is real. So let us talk about “real time” when we look back on our fiscal year. Modern human beings are always in a rush. We eat while we are on the move, check emails in the underground, make phone calls while we are cycling, work with deadlines. You have to be able to concentrate to succeed. This also applies to our work within the company. A fake does not stay true to itself. We are successful because we sell real products, maintain real customer relationships, have a real history, and do not mix anything up.

Real time as the topic of a report on the last fiscal year? Is that even possible? Isn’t it always about the past and the future? About before and after? In 2016, we took even more time than in previous years to reflect on the “real” Würth. But being “real” certainly does not mean doing things in the way that has traditionally been considered the right way, but rather applying the standards we have developed over the decades with regard to quality, dealing with people and performance to the demands of the present day. Even when new business fields come along, the method of approaching them or the working morale that involves focusing on the most important thing right now is the core of the original. It is about not being distracted and focusing 100 percent of your energy to 100 percent of the task at hand.

We generated sales of EUR 11.8 billion in 2016, corresponding to a 7.1 percent increase year-on-year. A total of 71,391 employees worked for the company day in and day out. An operating result of EUR 615 million shows that we know what we are working for. Our activities in Southern and Eastern Europe went well. Adolf Würth GmbH & Co. KG, the parent company of the Würth Group, still makes the largest contribution to our earnings. Western Europe came as a disappointment and there is certainly room for improvement here.

We are investing in e-business, in the opening of new branch offices, in the recruitment of sales representatives, and in the further development of our employees. Each and every investment has its own focus. We are talking about how to improve our digital competitiveness. December revealed the launch of Wucato, our online procurement platform. We are talking about creating a denser network of branch offices. We are talking about the key role played by sales representatives as an important junction where all of the customer communication pathways meet. And last but not least, we are talking about the fact that employees want to make a visible contribution to success day after day. This requires individual continued training and opportunities to exchange thoughts and experiences.

For 1,000 managers from across the globe, the 2016 Würth Congress in Barcelona provided precisely that. Naturally, we invited external speakers and talked about our strategy. But the most important aspect was that employees organized and hosted around 40 workshops for other employees to share their knowledge. Learning about feedback, managing conflict, being a role model – these topics were just as important as digital skills and the vision of the sales representative of the future. To get back to wanting to be real: culture was a key topic as well, but this does not belong in a lecture. Instead, the participants were able to experience it first-hand during the three days of the congress. The Central Managing Board would like to thank Prof. Dr. h. c. mult. Reinhold Würth, Bettina Würth and the entire family for making this event possible.

We would like to say thank you for the appreciation shown, for the support provided in our day-to-day business and in strategic decisions, for the honest dialogue and constructive feedback. Thank you to the whole Würth family! We would like to thank our customers for remaining loyal to us and also for constantly rethinking what they expect of us, our employees in 80 countries across the globe for contributing their thoughts, ideas and hard work, the Councils of Confidence and Works Councils and the members of both the Advisory Board and the Supervisory Board of the Würth Group's Family Trusts. Without them, the Würth as we know it today would not be possible.

We can talk about record sales in 2016, but we know that the record was only the objective at the moment is was achieved. We have already been looking ahead in 2017 for some time now. We are continuing to work on improving our profitability, boosting productivity and attracting new customers. We know that the economic situation in some of the countries where Würth is represented is not easy and that the political environment can change our business overnight. But we are firmly set on accomplishing our goals.

How does Würth operate? The word "hygge" springs to mind. It is a bit of a buzzword at the moment and is often used to refer to the quality of cosiness and comfortable conviviality. Now we want to make "hygge" our own. This is because we believe that a laid-back attitude, paired with curiosity and drive, is what makes a Würth employee a successful one. Try to resist the dictator that is time and you will find that you can really pick up speed.

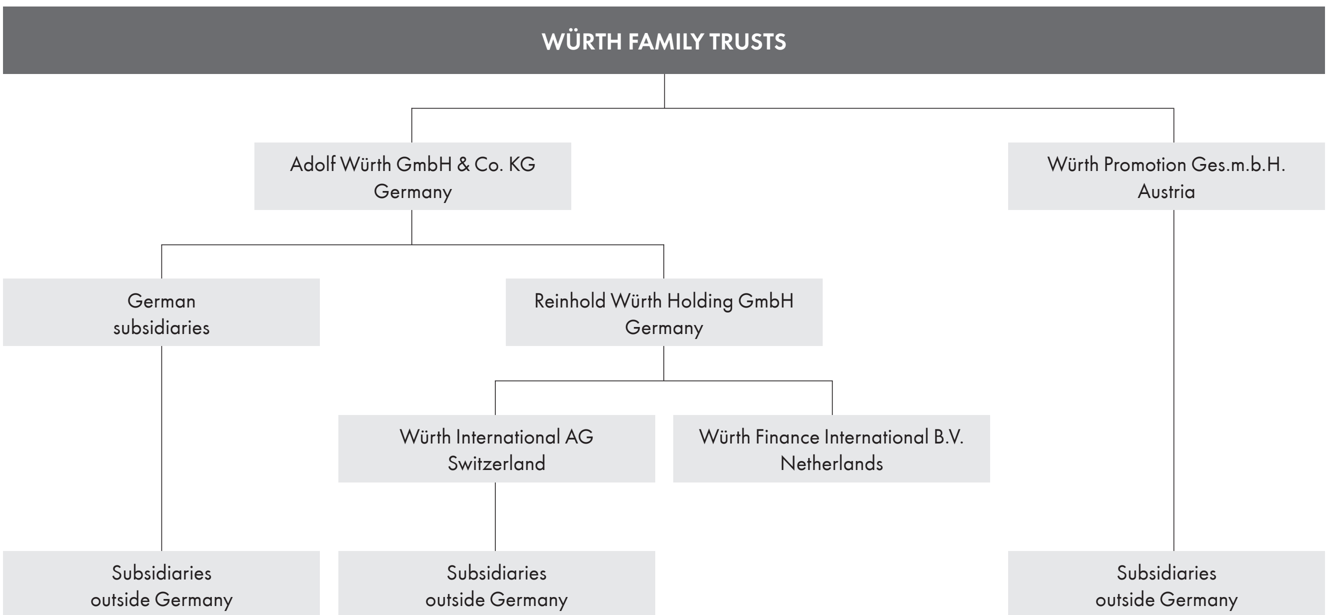
We are full of optimistic expectations as far as the year 2017 is concerned.

For the Central Managing Board of the Würth Group

R. Friedmann

Robert Friedmann
Chairman of the Central Managing Board of the Würth Group

WÜRTH GROUP: LEGAL STRUCTURE (SIMPLIFIED CHART)



ORGANIZATIONAL STRUCTURE

ADVISORY BOARD

The Advisory Board is the chief supervisory and controlling body of the Würth Group. It advises on strategy, and approves corporate planning as well as the use of funds. It appoints the members of the Central Managing Board, the Executive Vice Presidents and the managing directors of the companies that generate the most sales.

(as of: January 1, 2017)

Bettina Würth
Chairwoman of the Advisory Board
of the Würth Group

Dr. Frank Heinricht
Deputy Chairman of the Advisory
Board of the Würth Group
Chairman of the Management Board
of Schott AG, Mainz

Peter Edelmann
Managing Partner of Edelmann &
Company, Ulm

Dr. Ralph Heck
Director emeritus of
McKinsey & Company,
Düsseldorf

Wolfgang Kirsch
Chief Executive Officer of
DZ BANK AG, Frankfurt / Main

Jürg Michel
Former Member of the
Central Managing Board
of the Würth Group

Ina Schlie
SAP SE, Walldorf
Member of the Supervisory Board
and Chair of the Audit Committee
at QSC AG, Cologne
Member of the Supervisory Board
of Theo Müller S.e.c.s., Luxembourg

Dr. Martin H. Sorg
Certified Public Accountant and
Partner of Law Firm Binz & Partner,
Stuttgart

Honorary Chairman of the Advisory Board

Prof. Dr. h. c. mult. Reinhold Würth
Chairman of the Supervisory Board of
the Würth Group's Family Trusts

Honorary members of the Advisory Board

Rolf Bauer
Former Member of the
Central Managing Board
of the Würth Group

Dr. Bernd Thiemann
Former Chairman of the
Management Board of Deutsche
Genossenschaftsbank AG,
Frankfurt / Main

CENTRAL MANAGING BOARD

Peter Zürn (left), Robert Friedmann, Bernd Herrmann and Joachim Kaltmaier (right) in Schwäbisch Hall in front of Kunsthalle Würth, which was opened in 2001 based on designs developed by Danish architect Henning Larsen. The facade was crafted using local shell limestone from Crailsheim.

The Central Managing Board is the highest decision-making body of the Würth Group. It consists of four members and is comparable to the management board of a group holding company. Its most important duties include corporate strategy planning, the selection of executives as well as the management of strategic business units and functions.

Robert Friedmann
Chairman of the Central Managing Board of the Würth Group

Peter Zürn
Deputy Chairman of the Central Managing Board of the Würth Group

Bernd Herrmann
Member of the Central Managing Board of the Würth Group

Joachim Kaltmaier
Member of the Central Managing Board of the Würth Group

CUSTOMER ADVISORY BOARD

The Customer Advisory Board brings together Würth customers from the worlds of trade and industry.
The members report on developments in their sector and support Würth in aligning its activities with customer requirements. The board's meetings, which are held twice a year, also look at new products and innovative services.

Joachim Wohlfeil
Chairman of the Customer Advisory Board
Managing Director of Ernst Wohlfeil GmbH, Sanitärtechnik, Karlsruhe
President of the Karlsruhe Chamber of Trade (Handwerkskammer)

Dierk Mutschler
Executive Board Member and Partner
Drees & Sommer AG, Stuttgart

Dr. Thomas Peukert
Managing Director of Stahl CraneSystems GmbH, Künzelsau

Roland Schuler
Member of the Board of Management of BayWa AG, Munich

Burkhard Weller
Managing Partner of Wellergruppe GmbH & Co. KG, Berlin

Frank Westermann
Managing Director of Karl Westermann GmbH & Co. KG, Denkendorf
Chairman of the Technology Committee of Landesfachverbandes Schreinerhandwerk Baden-Württemberg

Rudolf F. Wohlfarth
Member of the Management of Emil Frey Group and Chairman of the Management Board in Germany, Stuttgart

Honorary Chairman of the Customer Advisory Board

Gerhard Irmscher

GROUP MANAGEMENT REPORT OF THE WÜRTH GROUP

Würth Group

1945: One man has an optimistic plan. Adolf Würth sets up a screw wholesale business in Künzelsau. This is an area he worked in successfully before the war and he now wants to set up his own business.

There were enough reasons not to do it back then. But Würth is determined: Today, the Group is the global market leader for trading in assembly and fastening materials and employs a workforce of 71,391 in more than 400 companies located in over 80 countries worldwide.

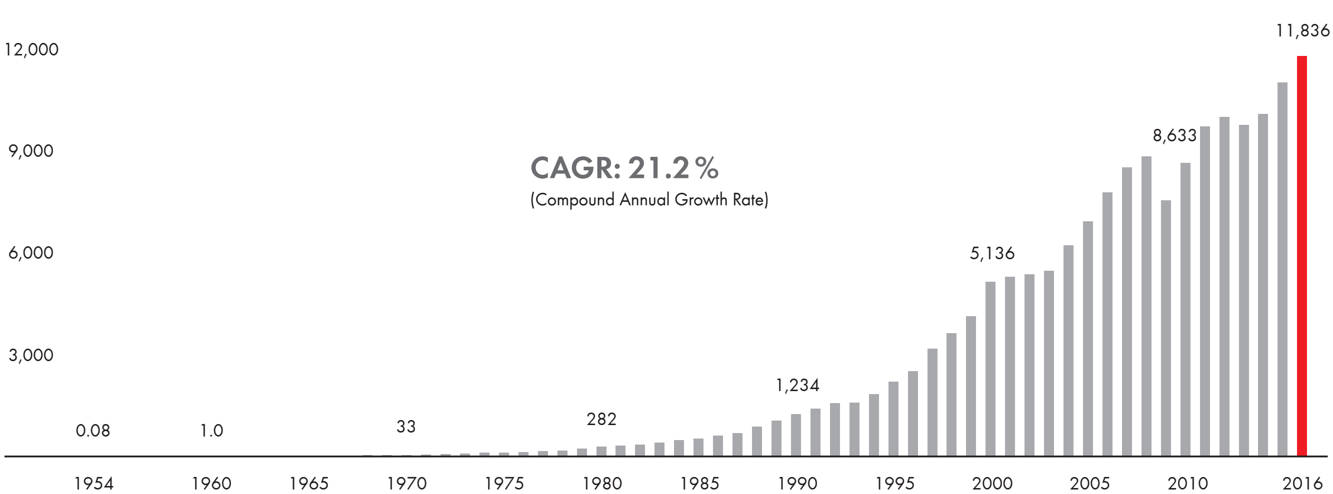
It is important to remember that Würth's conventional core business is trade, not manufacturing. State-of-the-art logistics and well-thought-out service packages give Würth a firm footing in the day-to-day working life of its customers. The second pillar of the Group, the Allied Companies, provides an umbrella for companies in business areas related to the company's core business. They include distributors and manufacturers, hotels, catering businesses and financial service providers.

The corporate philosophy is shaped to a considerable degree by Reinhold Würth. Following his father's sudden death in 1954, Reinhold Würth took over at the helm of the company, which was still in its infancy back then with annual sales of EUR 80,000 and two employees.

The company continued to write its success story: Today, the Group generates sales of just under EUR 12 billion. More than 1,700 branch offices make the Würth brand available to customers across the globe. More than 31,000 sales representatives provide personal advice to more than three million customers from trades and industry worldwide. The secret is simple: friendliness, honesty, a down-to-earth mentality, reliability, predictability. It is straightforward really: we have a good grasp of our customers' needs and of the fact that we are not actually doing anything extraordinary. Würth is simply there wherever its customers need it.

SALES DEVELOPMENT

Würth Group in millions of EUR



Economic environment

From the middle of 2016 onwards, the global economy picked up speed considerably after having lost momentum in the 2015/16 winter months. In the emerging markets, the economic situation improved in a year-on-year comparison: China's economy showed a return to a faster rate of expansion in the summer months. While the recession in Russia abated, economic momentum in the industrialized nations remained moderate. All in all, global economic growth remained on a par with the previous year at 3.1 percent in 2016 (2015: + 3.1 percent). This is slowest rate of growth seen since the crisis-ridden year of 2009. As a result, the companies in the Würth Group were once again operating in a challenging environment in 2016.

- **Consumption is the main driving force behind the German economy**
- **Impact of the new US President and the Brexit vote in the UK on the economy is still impossible to predict**

The economic situation in **Germany**, the Würth Group's largest single market, was characterized by stable growth in 2016. Gross domestic product increased by 1.9 percent year-on-year (2015: + 1.7 percent).

The **trades** segment, which is the most important sales market for the Würth Group, continued to show positive development. Sales to craft businesses rose by 3.0 percent in 2016 (2015: + 2.1 percent). In the **metal and electrical industry**, another key sector for the Würth Group, production rose by an average of 1.6 percent (2015: + 0.6 percent). It was a strong year for the German **automotive industry** thanks to an increase in both export figures and the number of newly registered vehicles. The number of passenger vehicles manufactured in Germany came to over 5.7 million: up by 1.0 percent year-on-year. Production in Germany's **mechanical engineering sector** in 2016 fell by 0.2 percent compared to the year before (2015: + 1.0 percent). The **construction sector** was one of the most successful branches of the German economy in 2016, with the value of the new orders generated by construction companies estimated to reach EUR 67.8 billion, up by 14.6 percent compared with 2015.

The **euro zone** was able to maintain its pace of growth in 2016. Gross domestic product rose by 1.7 percent in a year-on-year comparison (2015: + 1.7 percent). The **Spanish** economy outdistanced itself from the crisis even further, reporting significant growth for the third year running: + 3.2 percent (2015: + 3.2 percent, 2014: + 1.4 percent). **Italy** has been grappling with an economic slump for a good ten years now. Economic growth came to only 0.9 percent in 2016 (2015: + 0.8 percent). In **France**, rising consumer spending fueled overall growth to the tune of 1.1 percent (2015: + 1.3 percent). The **UK** remained in the black, too: GDP rose by 1.8 percent (2015: + 2.3 percent). In 2016, the Brexit vote did not prove to be the massive strain on the British economy that many had feared. Private consumption proved to be a strong force.

The economic situation in the **USA** clouded over considerably. All in all, gross domestic product rose by 1.6 percent in 2016 (2015: + 2.6 percent), the lowest rate of growth seen since 2011. This means that the rate of growth reported by the USA was lower than in other industrialized nations such as Germany or the UK. The impact that the change in the Oval Office will have on the economy is still impossible to predict.

In **China and India,** the economy continued to show positive development in 2016. The Chinese economy reported strong growth of 6.7 percent (2015: + 6.9 percent). Despite drastic currency reforms, India also reported high rates of growth, with GDP rising by 7.1 percent in 2016 (2015: + 7.6 percent). Total GDP in **Latin America** fell by 0.5 percent in 2016 (2015: – 0.4 percent). This is mainly because some of the countries that make up around 70 percent of the region's economic output are experiencing a recession, such as Brazil, Argentina and Venezuela. The economic situation in **Russia** remains tense: whereas in 2014, GDP was still growing at a rate of 0.7 percent, it continued its downward trend for the second year running in 2016 at – 0.2 percent (2015: – 2.8 percent).

Business development

- **Sales growth on course at 7.1 percent**
- **Significant increase in operating result to EUR 615 million**
- **70,000 workforce mark exceeded**

In 2016, the Würth Group generated sales of EUR 11.8 billion, setting a new record in the company's history (2015: EUR 11.0 billion). The increase of 7.1 percent comes to 7.9 percent in local currency, meaning that exchange rate effects had a slightly negative impact. The positive development is underlined by the fact that, in the months of June and November, the company reported two monthly sales records of well over EUR 1 billion, respectively. The solid growth in 2016 is broad-based within the Würth Group. Almost all business areas reported an increase in sales. Although the Electrical Wholesale and Electronics units and the Würth Line Industry division benefited from company acquisitions, the double-digit sales increases continue to be very positive. The development in the German electrical wholesaling companies was particularly outstanding. They exceeded the EUR 1 billion sales threshold for the first time, further expanding their market position within Germany. Company acquisitions contributed 2.5 percentage points to the Würth Group's sales growth, a figure that was on a par with 2015. Since most of the acquisitions were made abroad, the sales breakdown shifted in favor of the non-German subsidiaries of the Würth Group.

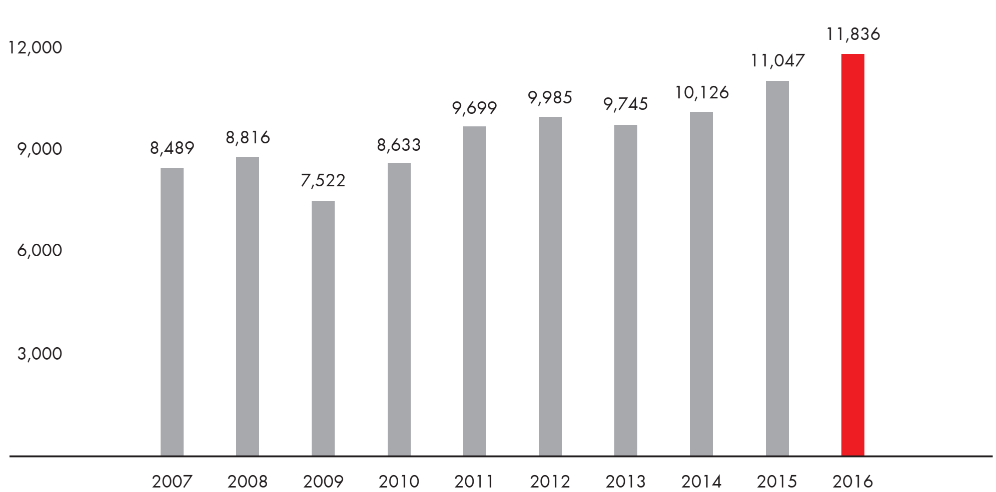
The operating result of the Würth Group was well in the black at EUR 615 million (+ 17.1 percent, 2015: EUR 525 million). The second-highest operating result in the company's history benefited from productivity increases and targeted cost-reduction measures.

The Group has traditionally made substantial investments in its various business areas and markets. At EUR 481 million, investment spending was at the same level as in previous years.

One milestone last year was the fact that the 70,000 employees mark was exceeded for the first time. At the end of December 2016, 71,391 employees were working for the Würth Group (2015: 68,978). Germany has the largest workforce with 21,697 employees. Würth is a sales company at its core. Including sales-related areas, more than 44,000 employees have direct contact with customers, with 31,498 of them working as sales representatives. This means that the Würth Group remains the largest employer of salaried sales specialists.

SALES

Würth Group in millions of EUR



Sales of the Würth Group

in millions of EUR	**2016**	2015	%
Würth Line Germany	1,796	1,682	+6.8
Allied Companies Germany	3,290	3,115	+5.6
Würth Group Germany	5,086	4,797	+6.0
Würth Group International	6,750	6,250	+8.0
Würth Group total	**11,836**	**11,047**	**+7.1**

Sales by region

- **Germany remains the most important single market**
- **Growth in all regions**
- **Eastern Europe benefits from company acquisitions**

Eastern Europe was the fastest growing region of the Würth Group in 2016, with growth in excess of 25 percent. The region of North and South America also reported double-digit growth. In both regions, this strong growth was favored by acquisitions. As a whole, all regions reported organic sales growth.

The Würth Group's roots are in Germany. In 2016, the company once again achieved satisfactory sales growth in its most important and largest single market, with sales up by 6.0 percent to EUR 5.1 billion (2015: EUR 4.8 billion). The companies outside of Germany reported more substantial growth of 8.0 percent. One encouraging aspect is the fact that the positive economic development in Southern Europe became increasingly stable. Sales have been rising continuously since 2014, with the growth rate coming to 9.3 percent in 2016.

One of the Würth Group's strengths is its decentralized structure. Thanks to the geographical diversification, our more than 400 companies in over 80 countries allow us to participate in regional growth markets and thus compensate for stagnation or sales declines in individual countries, at least in part. Depending on the maturity of the individual markets, the strategic approaches to market penetration vary from region to region. In fledgling markets, the focus is on developing the sales force. The established entities concentrate on refining their sales divisions and expanding their sales channels, such as branch offices and e-business, through a regional approach, customer-specific segments and a policy of seeking out potential.

Germany is home to the company that forms the core of the Group. Adolf Würth GmbH & Co. KG was established back in 1945 as a screw wholesale business in Künzelsau. In 2016, the company generated sales of EUR 1.4 billion and employed a workforce of 6,590 sales representatives and in-house staff, attending to our customers' needs. This makes the company the largest single entity in the Group and, at the same time, its flagship. In addition to direct sales, measures are also being taken to forge ahead with other sales channels such as e-business and branch offices. By the end of 2016, for example, Adolf Würth GmbH & Co. KG had more than 430 branch offices in which customers can cover their immediate demand. In addition to the record sales, the Group's parent company also reported a record operating result in 2016. This earnings power is setting standards within the Group and is also key to further positive development. Investments in pioneering distribution and logistics solutions would not be possible without these strong earnings. In addition to Adolf Würth GmbH & Co. KG, the Group also has other extremely successful companies operating in Germany: Würth Elektronik eiSos, Arnold Umformtechnik, Würth Industrie Service, Reca Norm and Fega & Schmitt Elektrogroßhandel are prime examples. These companies have demonstrated a high level of professionalism for years now. In addition to these established entities, the Würth Group also strengthened its market presence in Germany by making acquisitions in 2016. On August 11, 2016, the Group took over Amber wireless GmbH, Trier, a leading manufacturer of electronic systems for industrial wireless communication, and Erwin Büchele GmbH & Co. KG, Esslingen, on January 29, 2016. Both acquisitions will strengthen the Würth Elektronik Group in the fields of passive components and electromechanics.

One new feature is the online procurement platform Wucato (www.wucato.de) for the B2B segment. It was launched on December 1, 2016 and makes more than 500,000 products from suppliers within the Würth Group, as well as from third-party providers, available to customers. This marks another key step in our quest to achieve digital competitiveness and shows just how important the Group considers this channel to be.

Germany recorded a total operating result of EUR 351 million (2015: EUR 291 million) and is therefore the most profitable region.

Western Europe is the Group's second-largest sales region after Germany. It formed the geographical starting point for the internationalization of the Würth Group. In 1962, Reinhold Würth set up

THE WÜRTH GROUP AROUND THE WORLD

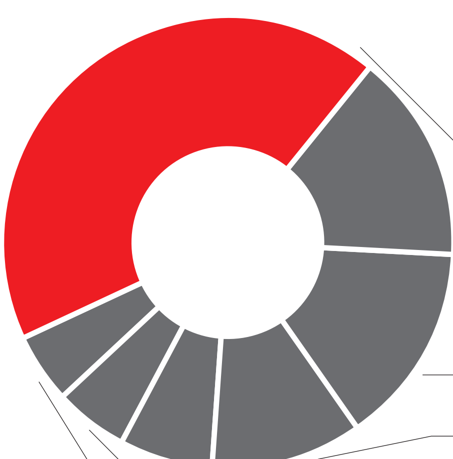
■ Countries in which Würth is represented

the first company outside of Germany, Würth Nederland B.V. This move allowed him to lay the foundation for one of the key success factors of the Würth Group. In addition to the Netherlands, this region includes countries such as Austria, France and Switzerland. Western Europe showed the weakest growth within the Group, with sales up by 1.4 percent to EUR 1,766 million. The Swiss companies, in particular, stood in the way of more considerable sales growth. Sales at our Swiss direct selling company even declined in 2016. The company has been operating on the market for more than five decades and is now undergoing fundamental restructuring. Due to its sales volume, France still has a considerable impact on the region as a whole. The Würth Group was unable to detach itself from the economic situation there. The UK also forms part of the Western European region. While it is not possible to predict the impact of Brexit on our activities there, it is not having a significant effect on the sales of the Würth Group at the moment. The situation in Austria, the second-largest market in the region after France, remains positive with stable sales development.

North and South America closed the 2016 fiscal year with a marked increase in sales of 11.4 percent to EUR 1,706 million. Currency effects had a negative impact of 1.7 percentage points on growth. By contrast, there was clear tailwind as a result of acquisitions. It has always been part of the Group's growth strategy to add targeted acquisitions to successful business areas where it makes sense to do so. The USA was always a focal point of these activities in the past, most recently in 2015 with the acquisition of Northern Safety Company, Inc., a company known for its strong sales. In 2016, the company generated sales of more than USD 180 million and employs just under 500 workers. On April 1, 2016, we acquired the business operations of the US company House of Threads, Inc., which has its registered office in Birmingham, Alabama, as well as the business operations of its sister company based in Querétaro, Mexico. Würth House of Threads became part of Würth Industry of North America (WINA), one of the largest providers of assembly technology in the USA. The acquisition supports WINA's growth strategy. Würth House of Threads supplies original equipment manufacturers (OEM) and commercial construction companies with connecting and fastening materials as well as other C parts. In 2016, it generated sales of more than USD 30 million and employs a workforce of 102. All in all, the acquisitions made in 2016 contributed an additional 12.7 percentage points to growth. The macroeconomic situation in the USA remains positive. Private consumption – which has traditionally been the pillar propping up the US economy – has increased further thanks to the improved situation on the labor market and low worldwide energy prices. It is not, however, clear as of yet how the change in government will impact further economic development in 2017.

The negative impact of exchange rate developments was much more pronounced in South America than in North America. In local currency, growth came to 7.6 percent, which translates to a drop in sales of 4.5 percent in euro.

The **Southern European** region was able to continue with the dynamic sales development seen in 2015, reporting above-average growth in 2016, too. The companies achieved sales in the amount of EUR 1,283 million, up by 9.3 percent. This is due to the fact that the two countries that generate the most sales, Italy and Spain, both achieved double-digit growth rates. In Italy, which is the leading market with a total sales volume of more than EUR 800 million, the restructuring measures introduced in recent years at the Würth direct selling company are now beginning to bear fruit. In a ten-year comparison, the highest growth was achieved in 2016. It is not year clear how the failed referendum and the resignation of Matteo Renzi will effect the Italian economy. Experts predict considerable uncertainty both in the political sphere and, in particular, within the financial sector up until the elections of



SALES

Regions of the Würth Group

	2016 in %	2016 in millions of EUR	2015 in millions of EUR	Change in %
Germany	43.0	**5,086**	4,797	+6.0
Western Europe	14.9	**1,766**	1,742	+1.4
North and South America	14.4	**1,706**	1,531	+11.4
Southern Europe	10.8	**1,283**	1,174	+9.3
Scandinavia	6.6	**784**	744	+5.4
Eastern Europe	5.5	**648**	515	+25.8
Asia, Africa, Oceania	4.8	**563**	544	+3.5
Total		**11,836**	11,047	+7.1

2018. Developments in Spain are positive. Average growth has come to 10.8 percent over the last three years. In addition to satisfactory sales development, the Southern European region also managed to maintain its leading position in terms of the number of sales representatives. A total of 6,707 colleagues attend to the needs of our customers.

The **Scandinavian** region is home to one of the model companies in the Würth Group: Würth Finland. With four decades of activity behind it, the company evokes admiration with its excellent market penetration and high profitability. The branch office concept is the decisive success factor here. Würth Finland now has 176 branch offices, making up ten percent of all the Group's branch offices. The entity therefore also spearheaded the spread of this successful sales concept within the Würth Line in recent years. Following a slump in sales in the Scandinavian region in 2015, the supporting measures took effect in 2016, allowing the region to close the year with 5.4 percent growth. In local currency terms, growth was actually slightly higher at 6.3 percent.

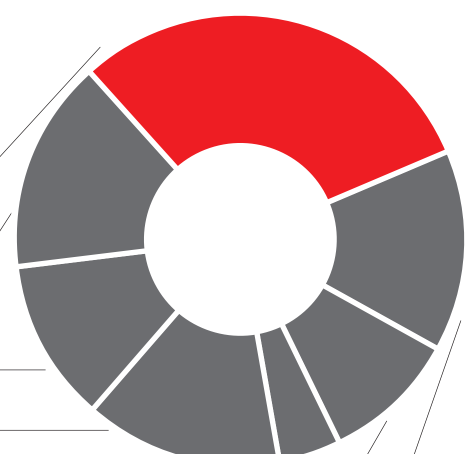
With an increase of 25.8 percent to EUR 648 million, the **Eastern European** region exhibited the highest growth rate in 2016. This momentum can be attributed to an acquisition made by Würth's electrical wholesaling business (W. EG). On April 28, 2016, Würth took over the operating business of the Rexel companies in Estonia, Poland and Slovakia in order to further expand the market position of W. EG. The company has 520 employees in more than 60 branches in these countries, generating sales of EUR 153 million in 2015. If we make adjustments to reflect the acquisition and the negative impact of exchange rate changes, then growth in the region came to 8.0 percent, slightly above the level for the Group as a whole. In particular, the development of the euro-ruble exchange rate put a damper on growth in the region.

The share of sales attributable to the **Asia, Africa and Oceania** region has been stable at a level of just under five percent for years now. Although the region is very large in terms of area, the companies in Asia, Africa and Oceania still only play a minor role for the Würth Group at present.

EMPLOYEES

Regions of the Würth Group

	2016 in %	2016	2015	Change in %
Germany	30.4	**21,697**	21,145	+2.6
Western Europe	15.2	**10,861**	10,663	+1.9
North and South America	11.7	**8,383**	8,197	+2.3
Southern Europe	14.1	**10,050**	9,729	+3.3
Scandinavia	4.6	**3,301**	3,225	+2.4
Eastern Europe	9.7	**6,914**	6,097	+13.4
Asia, Africa, Oceania	14.3	**10,185**	9,922	+2.7
Total		**71,391**	68,978	+3.5

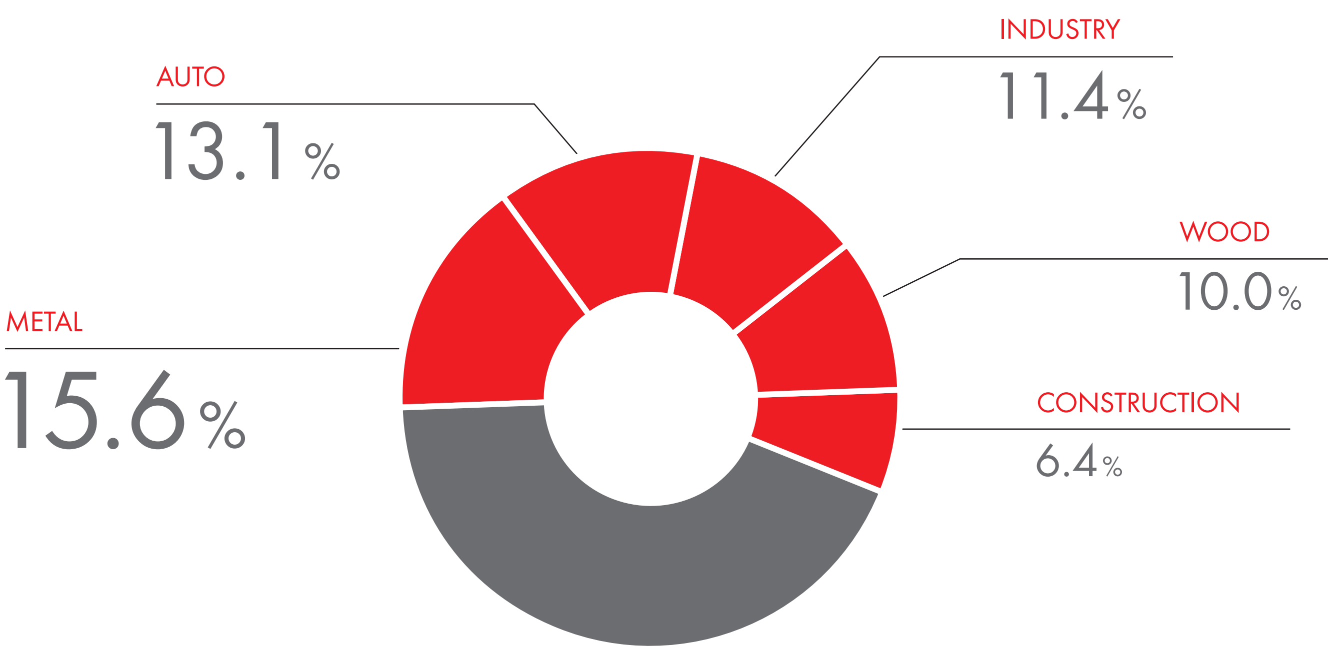


THE OPERATIONAL UNITS OF THE WÜRTH GROUP

THE WÜRTH LINE DIVISIONS

Würth Line companies focus on assembly and fastening materials, supplying customers in both trade and industry. Within the Würth Line, the operating business units are split into Metal, Auto, Industry, Wood and Construction divisions.

SHARE OF SALES OF THE DIVISIONS
in relation to the Würth Group's total sales



Metal division

The Metal division offers its customers innovative solutions to support them in their daily work today and in the future. Our core competency, direct sales, together with stationary trade and online trading, allows us to offer our customers top-quality advice and a wide range of options for purchasing their products.

Metal subdivision
This subdivision directly serves customers in the metalworking and metal processing industries. Its main customers include metal and steel fabricators, fitters, and machine and vehicle manufacturers.

Installations subdivision
This subdivision concentrates on electricians, gas, heating and water installation companies, and air-conditioning and ventilation system engineers.

Maintenance subdivision
This subdivision serves customers with in-house repair shops in a range of different sectors, including industrial enterprises, hotels, shopping centers, airports and hospitals.

Auto division

Proximity to customers is a key success factor for the Auto division. In order to ensure that we can collaborate efficiently with our customers in the future too, with a firm focus on their needs, we are constantly investing in initial and continued training for our sales team. Strategic partnerships are also used to strengthen important areas of expertise and to meet the rising technical demands on the market.

Car subdivision
The customers of the car subdivision include vehicle manufacturers, brand-specific and independent car dealers, customers with large vehicle fleets and specialist businesses such as bodywork specialists, vehicle restorers and tire changing businesses. The customer portfolio also includes other service providers, such as auto glass repair shops.

Cargo subdivision
The customers of the Cargo subdivision include authorized dealers and independent workshops, freight forwarders and transportation companies, public-sector utilities, and waste disposal companies, as well as companies from the agricultural sector.

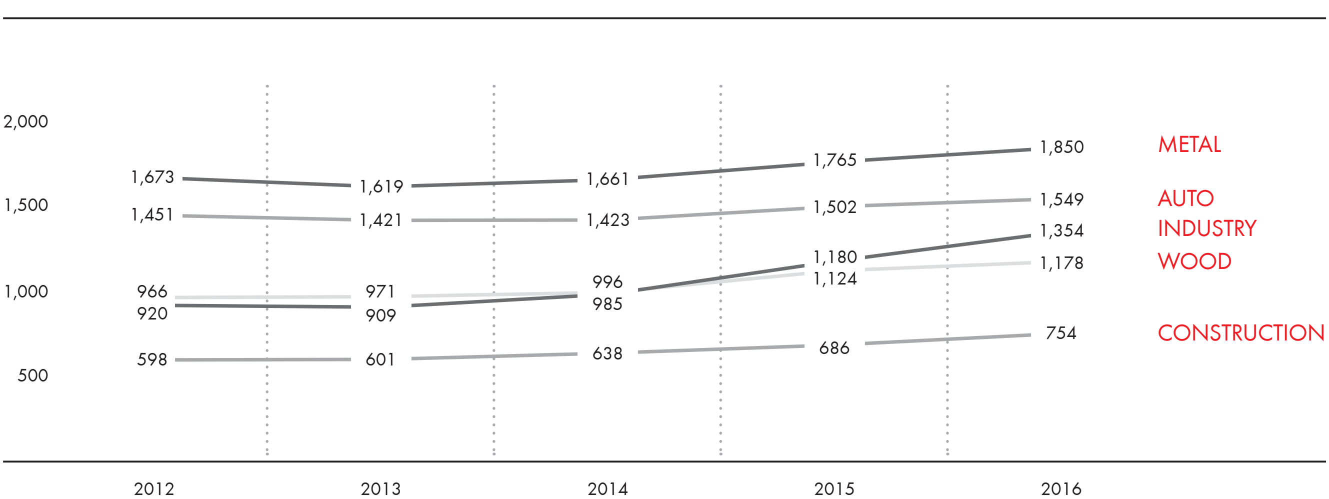
Industry division

The entities of the Industry division are specialized companies with a complete range of assembly and connecting materials for industrial production, as well as maintenance and repair. In addition to the comprehensive standard range offered by these companies, their strength lies in customized logistics concepts for supply and service, as well as in the provision of technical advice.

The innovative further development of procurement and logistics systems within the Industry division is increasing the importance of systems and full automation in stocking and replenishing Würth products for manufacturing customers. One key focus remains the maximum security of C-part supplies directly at the place of consumption, in the warehouse and at the workstation. All solutions are made available as part of a holistic approach to the supply of production and operating resources. The strategic focus remains on personal on-site customer service thanks to a global network of industry companies and, as a result, the same high standards of quality, products and processes across the globe.

SALES BY DIVISION

in millions of EUR



Wood division

The Wood division serves customers in the entire woodworking and wood processing trade, focusing on: joiners / carpenters, interior finishing, window makers (wood and vinyl) and window fitters.

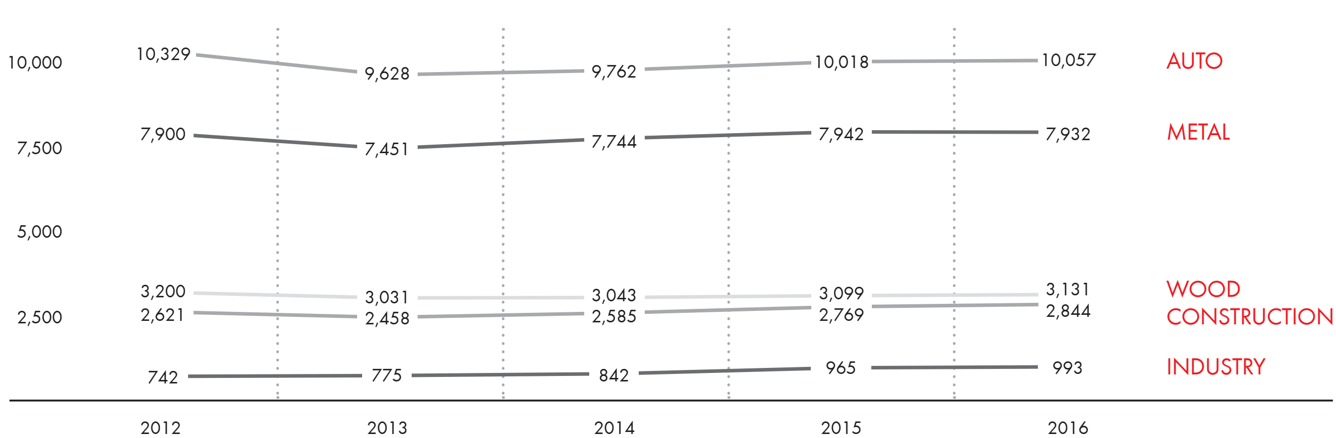
The product spectrum encompasses furniture and building fittings, the entire range of fastening materials and sealing technology, as well as hand tools, power tools, abrasives, and chemical-technical products. It is also pressing ahead with the use of online-based ordering services and the development of planning tools, such as a furniture construction configurator.

Construction division

The Construction division aims to supply regionally, nationally and internationally active construction companies across the globe with top-level products and services that are as standardized as possible.

The Construction division encompasses all sales units responsible for serving customers in the construction and civil engineering industry and finishing trades. Marketing activities focus on construction companies, roof and wood construction customers, finishing and facade specialists, and direct supplies to construction sites. Customized logistics solutions are also provided, such as equipped material stores directly at the construction site.

SALES REPRESENTATIVES BY DIVISION

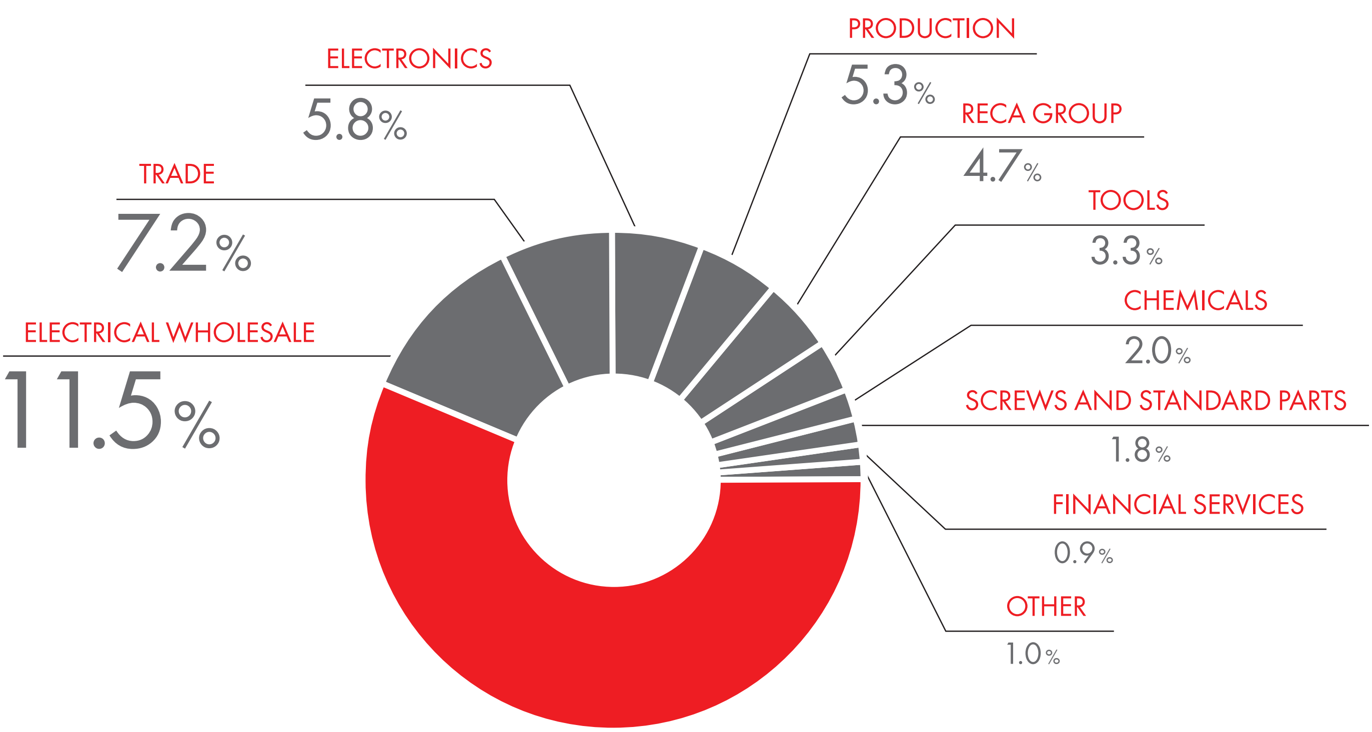


THE BUSINESS UNITS OF THE ALLIED COMPANIES

The Allied Companies operate either in business areas adjacent to the Group’s core business or in diversified business areas, and round off the Würth Group's portfolio. They are divided into nine strategic business units. With the exception of a small number of manufacturing companies, the majority are sales companies operating in related sectors.

SHARE OF SALES – BUSINESS UNITS OF THE ALLIED COMPANIES

in relation to the Würth Group’s total sales



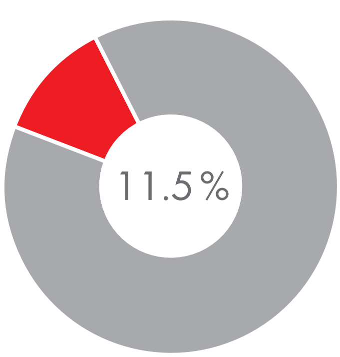
Electrical Wholesale unit

These companies are responsible for trading in electrical material. The product portfolio includes products and systems from the fields of electrical installation, industrial automation, cables and wires, tools, data and network technology, lighting and illumination, household appliances and multimedia products, as well as electrical domestic heating technology and regenerative power generation.

- New sales record of EUR 1,359 million in the 2016 fiscal year
- Ongoing expansion of e-business activities
- Sales growth of 14.6 percent, partially due to acquisitions in Eastern Europe, well above the market level
- Number of customers listed increased by 17.2 percent to more than 134,000
- Successful commissioning of the new central warehouse for Uni Elektro in Frankfurt in the fall of 2016
- Expansion of the market segment by further specializing employees and product portfolio
- Accelerated growth thanks to continuity within the management of MEF S.r.l, Florence, which was acquired in 2015 and incorporated into the Electrical Wholesale unit of the Würth Group

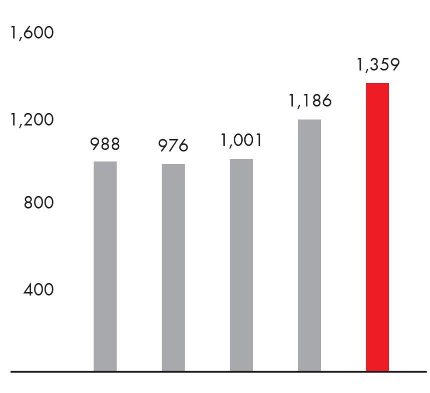
SHARE OF TOTAL SALES

Electrical Wholesale unit



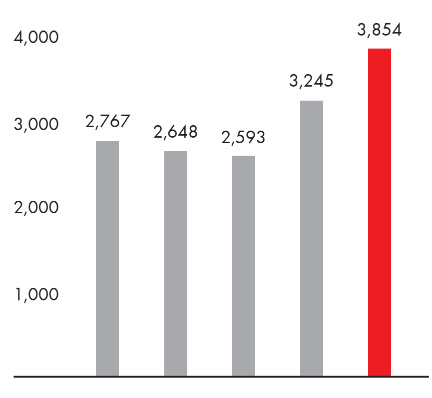
SALES

Electrical Wholesale unit in millions of EUR



EMPLOYEES

Electrical Wholesale unit



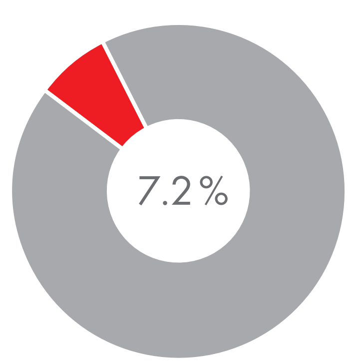
Trade unit

The companies assigned to this unit sell fastening and assembly materials, gardening equipment, electrical tools and hand tools. The product range also includes furniture fittings for specialist dealers, DIY and hardware stores, and discounters.

- Sales record of EUR 858 million
- Increase in sales mainly in the hardware and gardening segments
- Extended customer base and gained additional market shares by fighting off the competition
- Focus on e-business: in-house solutions and cooperation with online marketplaces
- Moves to set the Group apart from the competition by expanding private brands and pushing product innovations
- Focus on target-group-specific ranges and service packages
- New storage and picking systems to improve throughput times and the processing of specific customer requirements
- Merger of the companies Conmetall and Meister in 2017

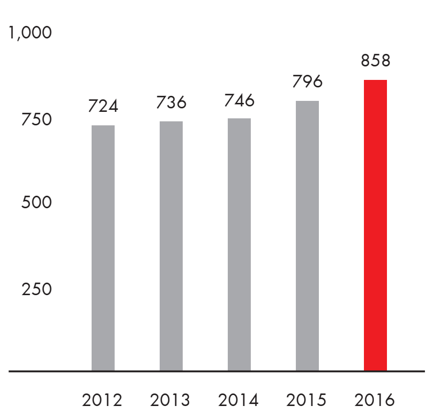
SHARE OF TOTAL SALES

Trade unit



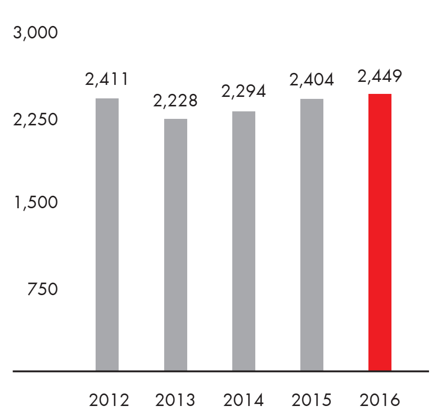
SALES

Trade unit in millions of EUR



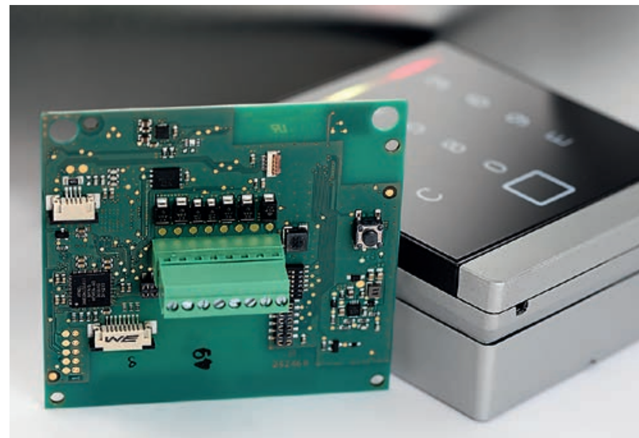
EMPLOYEES

Trade unit



Electronics unit

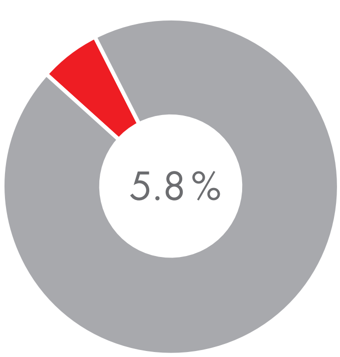
The Würth Elektronik Group produces and sells electronic components such as printed circuit boards, electronic and electro-mechanical elements, and full system components.



- Increase in sales of 12.6 percent year-on-year to EUR 686 million
- Opened warehouse and logistics center in Waldenburg, Germany with 85,000 shelf spaces – total investment of EUR 25 million
- Expanded product portfolio by acquiring a manufacturer of inductors for the automotive industry and a leading manufacturer of electronic systems for industrial wireless communication
- Würth Elektronik's WEdirekt printed circuit board shop now generates more than 5 percent of the total sales of the printed circuit board unit
- Successfully completed start-up phase for the printed circuit board factory in Niedernhall following a major fire at the end of 2014: Construction as an innovative high-tech factory in record time
- Gained further licensing partners and introduced first standard products in the field of connector technology SKEDD®
- Launched new intelligent power and control system product lines – e.g. standard case platform for REDline Power Boxes

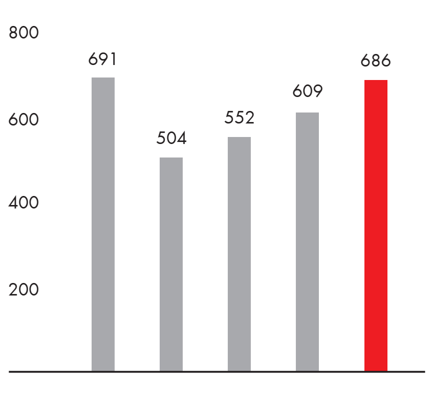
SHARE OF TOTAL SALES

Electronics unit



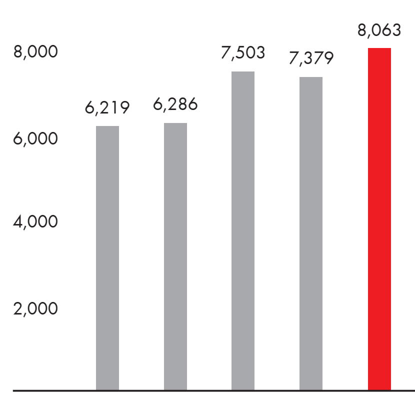
SALES

Electronics unit in millions of EUR



EMPLOYEES

Electronics unit

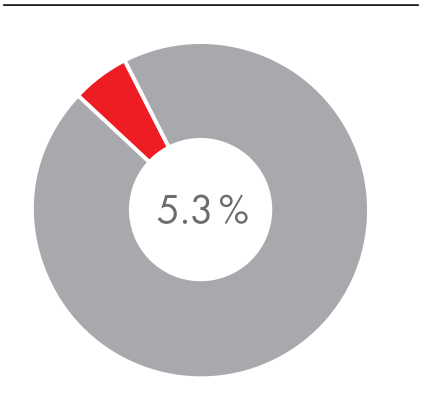


Production unit

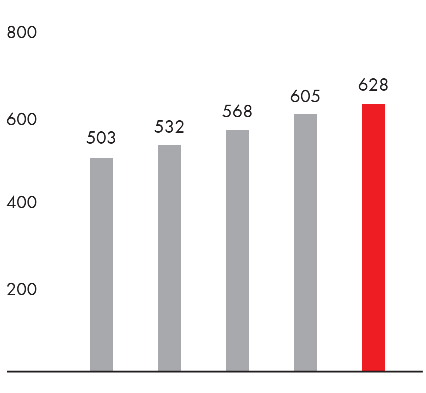
The product range of the production businesses includes operating equipment, vehicle equipment, cold-formed parts, forming and stamping tools, connecting elements and fastening systems, furniture fittings, and assortment and storage bins. The unit supplies a range of customers, including customers from the automotive industry, manufacturers of kitchens and household appliances, and wholesalers.

- Sales in the unit up again
- Major investments in expanding production capacities, particularly within the Automotive Group
- Arnold Group operates as a global system provider on three continents; its production activities are close to its customers
- Ongoing expansion of the production and service range for the construction sector, specifically the wood engineering industry
- Greater presence at the point of sale via additional sales staff, application consultants, trade fair activities and the use of new media
- German Design Award went to Grass GmbH for its Nova Pro Scala® drawer system in 2016
- In the furniture fittings segment, implemented innovative mechanical "Tipmatic Softclose" opening and closing system for handle-free kitchen cabinets

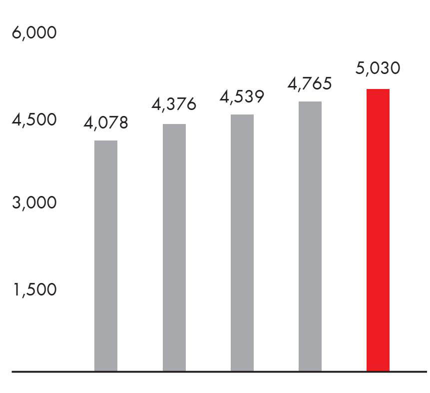
SHARE OF TOTAL SALES
Production unit



SALES
Production unit in millions of EUR

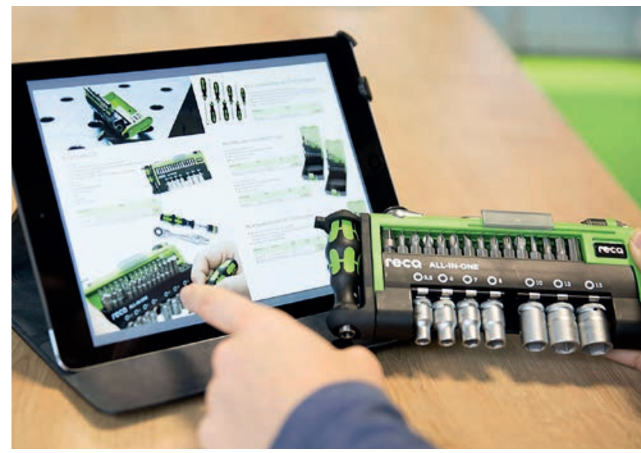


EMPLOYEES
Production unit



RECA Group unit

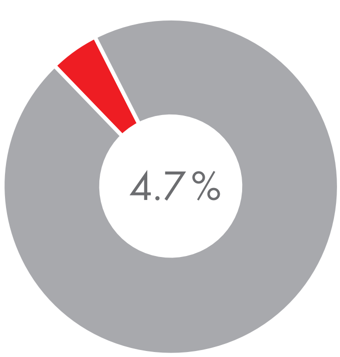
The RECA Group companies supply tools and assembly and fastening materials directly to industrial, metal and auto customers, as well as to customers in the Cargo subdivision. Specialists in workwear, advertising materials and vehicle equipment complement the product portfolio.



- New sales record of EUR 559 million
- Lion's share of the revenue generated in Germany and Austria
- Expanded customer base further by means of targeted measures to attract and retain new customers
- Focus on the further development of e-business and the introduction of an iPad-based sales solution at many companies
- Began rolling out online shops within the companies
- Positive business development thanks to the further expansion of the multi-channel strategy, which in turn strengthened the sales force
- Outlook for the future remains positive thanks to classic direct selling business with a sales force of 2,816
- Evidence of positive economic trends in 2017, particularly in Southern and Eastern Europe

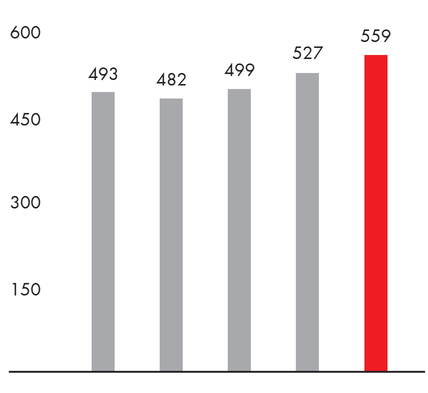
SHARE OF TOTAL SALES

RECA Group unit



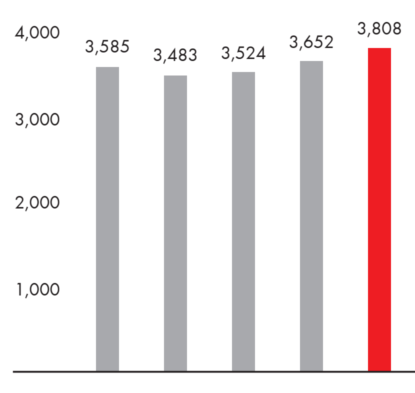
SALES

RECA Group unit in millions of EUR



EMPLOYEES

RECA Group unit



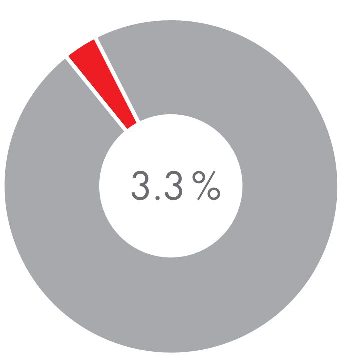
Tools unit

The companies in the Tools unit distribute items for metal cutting, clamping and measuring, as well as hand tools, operating equipment, personal protective equipment, and power tools. They supply companies from the metalworking and metal-processing industries. Their activities focus on the distribution of the unit's own brand, ATORN®.

- Slight sales growth to EUR 386 million despite negative exchange rate effects
- Above-average growth in e-business sales: further focus on the online shop, connecting customers to the system, electronic catalogs, and tool vending systems
- Further expansion of product range, particularly within the ATORN® brand and the key metal-cutting product group
- Introduction of the new Hahn+Kolb online portal in the foreign companies
- VDMA (German Engineering Federation) outlook for 2017: real production growth of one percent in the mechanical engineering sector

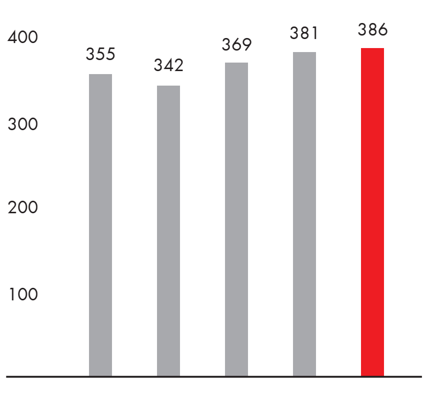
SHARE OF TOTAL SALES

Tools unit



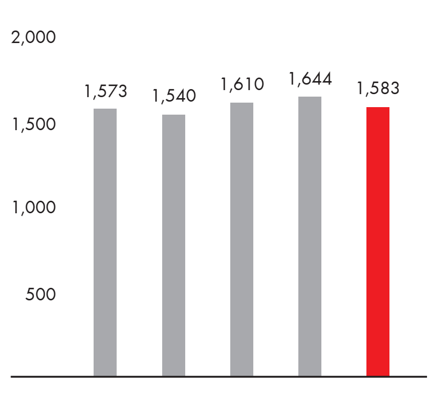
SALES

Tools unit in millions of EUR



EMPLOYEES

Tools unit

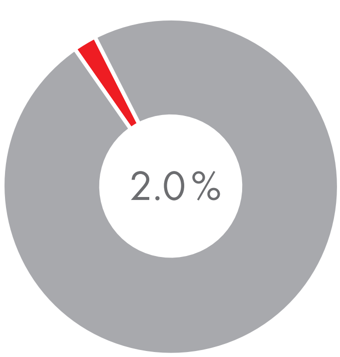


Chemicals unit

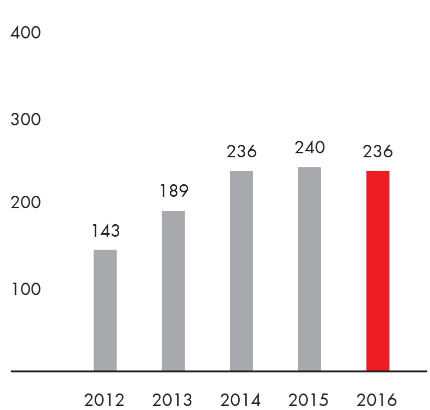
The companies in the Chemicals unit develop, manufacture and distribute chemical products for the automotive and industrial sectors and the cosmetics industry. They distribute both their own brands and private label products and are renowned as true innovation specialists and experts in their niche areas.

- Slight drop in sales to EUR 236 million
- Average sales growth of 13.3 percent over the last four years
- Research and development, as well as production, form one of the unit's key components – it now has nine factories on three continents
- Further standardization and harmonization of core processes within the unit in order to boost efficiency in the long term
- Focus on regional and international marketing with customer-specific products and system solutions
- Use and multiplication of synergies from the international customer and production networks
- Innovative product development, especially within the automotive segment, e.g. an exhaust gas recirculation valve cleaning agent using x-foam technology, as well as a combustion chamber cleaner to prevent engine damage
- Ongoing move to promote the internationalization of the industrial lubricants segment by breaking into the Asian market
- Restructuring of the cosmetics segment in 2017

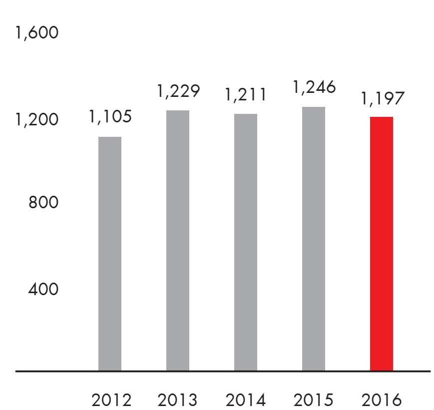
SHARE OF TOTAL SALES
Chemicals unit



SALES
Chemicals unit in millions of EUR



EMPLOYEES
Chemicals unit

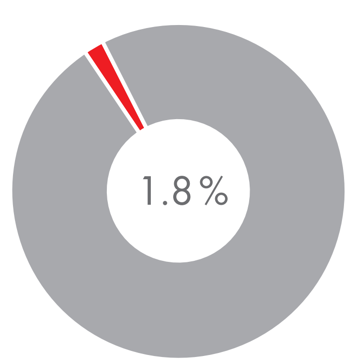


Screws and Standard Parts unit

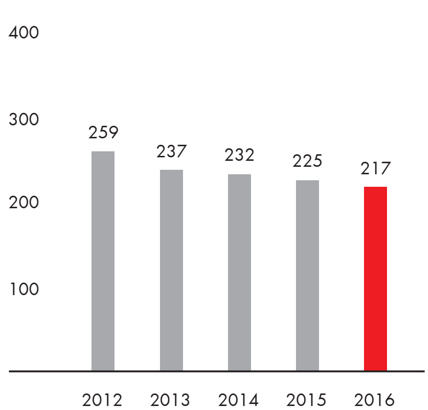
These trading companies are product specialists with sophisticated industry supply concepts. The unit's main business activity is the sale of DIN and standard parts. Most of the companies specialize in stainless connecting elements. Our hydraulic companies are system providers of hydraulic hoses and fittings.

- Sales in 2016 focused primarily on the distribution of DIN and standard stainless steel parts
- First half of 2016: no increase in sales at stainless steel companies due to weak nickel prices
- Nickel price comes to USD 7,700 per ton in February 2016, the lowest value seen in more than ten years
- Nickel price expected to increase by 20 percent in the first half of 2017
- New administrative building and expansion of logistics facilities at WASI in Wuppertal, Germany – scheduled for completion in the spring of 2017
- Efforts to step up national and international expansion in the hydraulics segment by means of system partnerships and cooperation initiatives
- Intensified marketing of innovations, such as the super power hoses or the unit's own brand, ValCon®
- Stronger presence of the mobile hydraulics service Sprinter: more than 200 Sprinter service vehicles out and about every day across Europe as mobile workshops

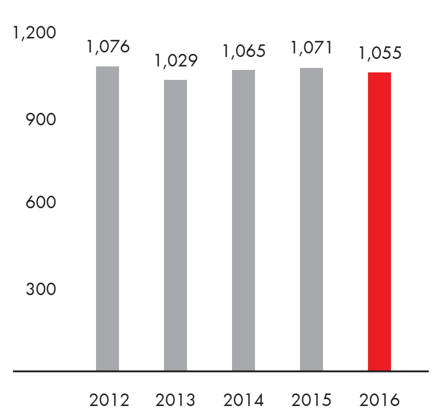
SHARE OF TOTAL SALES
Screws and Standard Parts unit



SALES
Screws and Standard Parts unit in millions of EUR



EMPLOYEES
Screws and Standard Parts unit

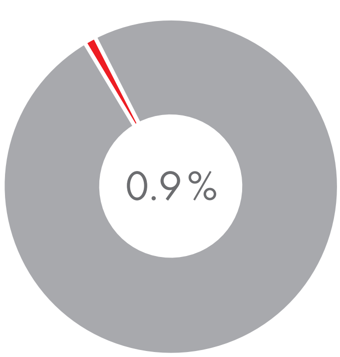


Financial Services unit

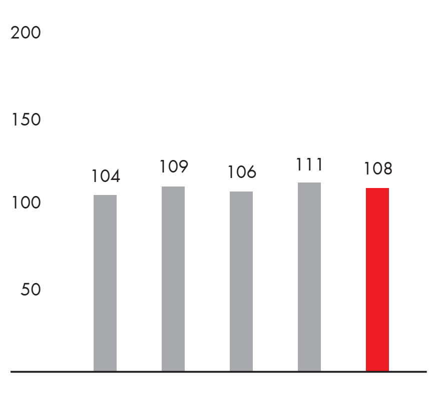
The companies in this unit offer services in the financial services sector both within the Würth Group and for external customers. Sales orientation, proximity to the customer and customized products rank among the strengths of this unit.

- Companies specialized in leases are consolidating their market position in Germany, Denmark and Switzerland despite a glut of liquidity
- Successful launch of the new leasing company in Austria
- Waldenburger Versicherung AG: focus on profitable growth in premium volume
- Individual large-scale claims put pressure on results
- Internationales Bankhaus Bodensee AG: stable earnings despite low interest rate environment thanks to strategic position in niche markets
- Earnings on a par with previous year thanks to secure business model in a difficult banking environment
- Würth Financial Services AG: another sales record set in 2016
- Successfully established the pension fund management segment as an area of diversification

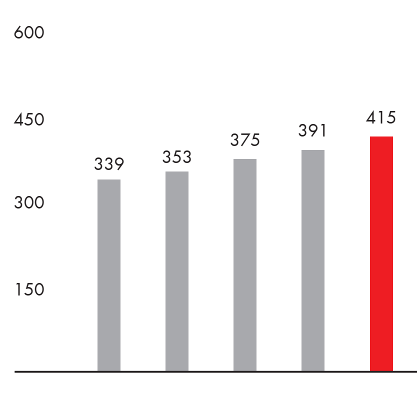
SHARE OF TOTAL SALES
Financial Services unit



SALES
Financial Services unit in millions of EUR



EMPLOYEES
Financial Services unit



Net assets, financial position and results of earnings

- **Clear increase in operating result**
- **Equity ratio of 46.1 percent**
- **Operating cash flow at record high**

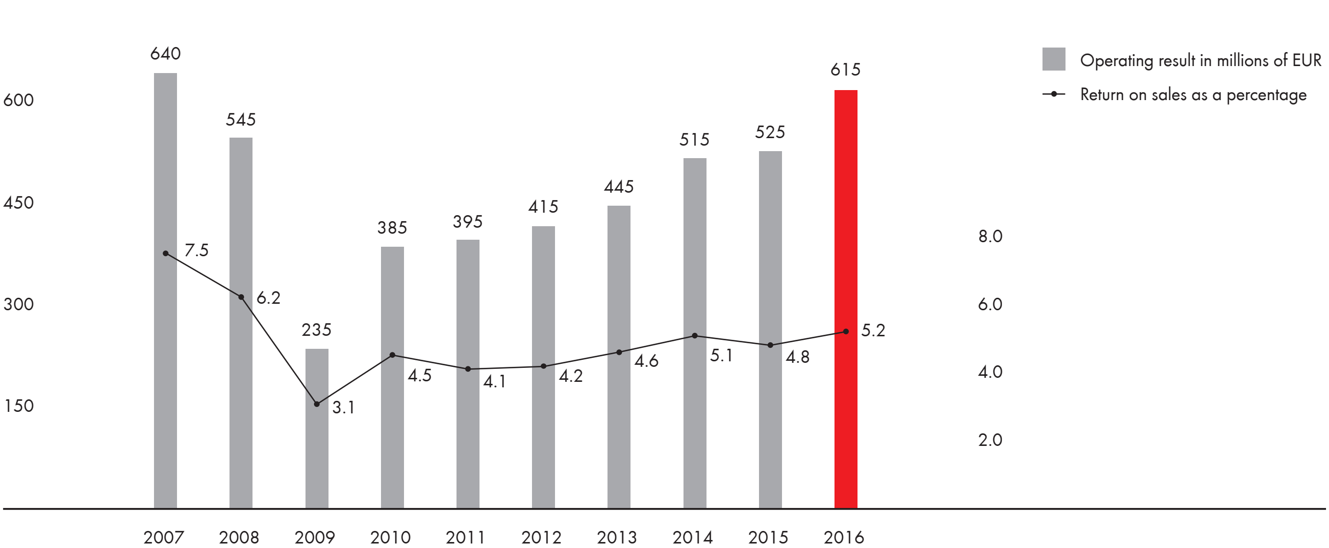
The increase in operating result outstripped the growth in sales in the 2016 fiscal year. With an increase of 17.1 percent to EUR 615 million, the operating result was the second-highest reported in the history of the Würth Group. This also meant that the return on sales increased from 4.8 percent in 2015 to 5.2 percent. We have calculated the operating result as earnings before taxes, before amortization of goodwill and financial assets, before the collection of negative differences recognized in profit or loss, and before changes recognized in profit or loss from non-controlling interests disclosed as liabilities.

In Germany, the operating result rose by 20.6 percent to a record high of EUR 351 million (2015: EUR 291 million). This means that the share of the Group's overall result rose to 57.1 percent, with the return on sales increasing to 6.9 percent (2015: 6.1 percent). This improvement is largely attributable to Adolf Würth GmbH & Co. KG. The company that forms the core of the Group has been largest contribution to the result by far for years now. With an operating result of more than EUR 130 million, the Group's flagship once again provided evidence of its powerful earnings. Other top performers within Germany include Würth Elektronik eiSos, Würth Industrie Service, Arnold Umformtechnik and Reca Norm. The need for restructuring in the furniture fittings segment prevented even more pronounced growth in Germany.

The companies outside of Germany boosted their operating result by 12.8 percent to EUR 264 million (2015: EUR 234 million). Although earnings were lower than the figure reported in Germany, the companies grew at a much faster rate than in the previous year. This momentum is due, on the one hand, to the increase in earning power in Southern Europe, which showed a marked improvement even if it has not yet bounced back to the usual level of profitability. On the other hand, other established entities also contributed to the improvement in earnings, primarily Würth Finland, Würth Austria and Würth Norway. The biggest market in South America in absolute terms is Brazil. The

PRE-TAX OPERATING RESULT AND RETURN ON SALES

Würth Group



country is still grappling with a recession. However, the Würth Group was able to buck the overall trend by achieving an improvement in earnings. In contrast, projects to improve the IT and logistics structures in the USA put pressure on results in the 2016 fiscal year and stood in the way of stronger growth. At the same time, these measures will lay the foundation for future profitable growth and efficient structures.

At 49.1 percent, the cost of materials to sales is on a par with the previous year (2015: 49.1 percent). The Würth Group benefited from low prices on the commodities markets, particularly with regard to the price of oil, nickel, copper and zinc. The ever-increasing level of price transparency on the markets and the shift in sales among the various sales channels towards key accounts and e-business had a slightly negative impact on the cost of materials to sales.

The pronounced drop in other operating income by 24.5 percent is largely due to the fact that the insurance settlements seen in the 2015 fiscal year in connection with the fire in the Würth Elektronik printed circuit board factory in Niedernhall no longer applied. One contrary effect resulted from the reversal of negative goodwill in connection with the first-time consolidation of acquisitions in 2016.

At the end of December 2016, the Würth Group had a total of 71,391 employees. The increase in the workforce by 2,413 employees compared with December 2015 was one of the reasons behind the sales growth that the company achieved, as face-to-face contact is the strength of our direct selling approach. The sales force works hand in hand with our effective in-house staff, which provides the necessary support for the specific sales strategy. Another 418 employees joined the sales team in 2016. The number of employees working as members of the in-house staff rose by 5.3 percent, or 3.5 percent after adjustments to reflect acquisitions. At 27.7 percent, the ratio of personnel expenses to sales improved compared with the previous year (2015: 28.0 percent).

At EUR 345 million, amortization and depreciation was up on the previous year in 2016 (2015: EUR 332 million). One of the main reasons behind this increase lies in higher scheduled depreciation and amortization due both to the investments made and to the acquisitions made in 2015 and 2016. Impairment losses showed the opposite trend.

Other operating expenses showed a below-average increase in relation to sales growth in a year-on-year comparison. The ratio was down on the previous year at 15.8 percent (2015: 16.2 percent). By way of example, we managed to save on energy costs for vehicles and packaging costs, but saw an increase in sample and advertising expenses, freight and delivery costs, as well as rental and leasing costs due to the further expansion of our branch office network.

Net financing costs decreased. Financial income increased due to the market valuation of the interest rate derivatives taken out in connection with the bond issued in 2013. Exchange rate gains in connection with the currency conversion had the opposite effect. Financial liabilities were down slightly.

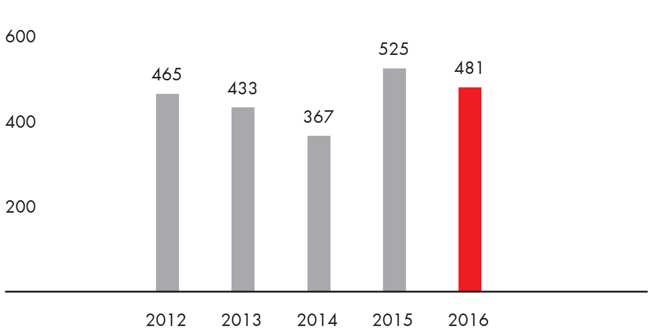
The tax rate increased in the 2016 fiscal year to 22.5 percent (2015: 15.9 percent). In the 2015 fiscal year, tax reimbursements relating to other periods resulted in a tax rate that was at an all-time low. These effects no longer applied in 2016, pushing the tax rate up. For a detailed analysis, please refer to the consolidated financial statements: G. “Notes on the consolidated income statements”, [9] “Income taxes.”

In the 2016 fiscal year, the Würth Group set a new sales record with sales of EUR 11.8 billion, allowing it to achieve its targets. The operating result outstripped the target considerably and net income for the year climbed to an all-time high of EUR 462 million. Against the backdrop of global economic developments, the Central Managing Board believes that these results are highly satisfactory. The main KPIs, such as sales and operating result, have improved. Our gross profit, i.e. sales minus the cost of goods sold, as well as staff turnover, stock turnover and collection days also improved or are at an acceptable level.

Capital expenditures and cash flow
In 2016, the amount invested by the Würth Group was down slightly on the previous year at EUR 481 million (2015: EUR 525 million). This is mainly due to the fact that the special effect relating to the “Reconstruction of the production facility of Würth Elektronik in Niedernhall following the fire of 2014,” which still accounted for EUR 62 million in 2015, ceased to apply. Over the past ten years, the Group has invested roughly EUR 4 billion in property, plants and equipment, financial assets and intangible assets. It has always been the Würth Group’s strategy to invest in sales-related and productive areas. As a result, last year’s investments focused on the expansion of the IT infrastructure and warehouse capacities for our distribution companies, as well as on the fields of production facilities, technical equipment

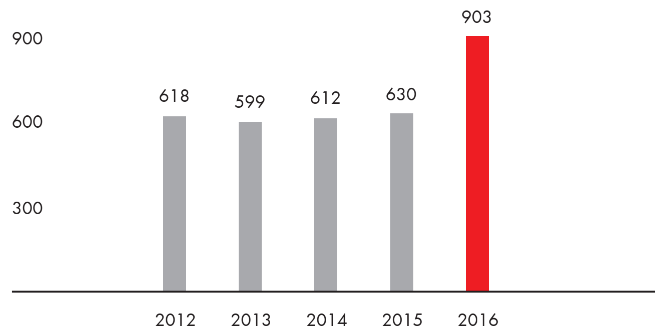
INVESTMENTS

Würth Group in millions of EUR



CASH FLOW FROM OPERATING ACTIVITIES

Würth Group in millions of EUR



and machinery for our manufacturing companies. In April 2015, Arnold Umformtechnik, which specializes in connecting and forming technology solutions for the automotive and electrical industry, laid the foundation stone for three further production buildings along with the required machinery at its location in Dörzbach in an investment project totaling EUR 37 million. The official opening ceremony was held on June 9, 2016. This investment has expanded the Dörzbach location as a center of production for the company's branded connecting technology products, doubling the number of jobs from 150 to 300.

In addition to the Allied Companies, the Würth Line companies also made substantial investments in stepping up their sales activities. Back in the fall of 2014, Adolf Würth GmbH & Co. KG started building its new branch and office building in Künzelsau-Gaisbach, offering office space for 550 workstations and rooms for conferences and seminars. The new cube-shaped building, which features an inner courtyard, reaches up a total of six floors. The building was officially opened in June 2016. EUR 28.5 million was invested in the new building in Gaisbach.

On July 21, 2016, excavation work commenced on the expansion of the most state-of-the-art logistics center for industry supplies in Europe. A total of around EUR 13.5 million is being invested in the expansion of the logistics site of Würth Industrie Service in Bad Mergentheim. The new high-bay warehouse is 45 meters high, 25 meters wide and 120 meters long, making it an imposing structure. The project involves increasing the capacity by more than 40,000 pallet storage spaces to a total of more than half a million storage places.

Würth Finland is also expanding its office and storage capacities. The construction measures underway in Riihimäki, Finland, also include an education and training center. The fully automated warehouse will go into operation in March / April 2017. The total investment volume comes to EUR 23 million.

The official opening ceremony of the Carmen Würth Forum convention center will be held in Künzelsau-Gaisbach on July 18, 2017. Covering a total area of around 11,000 square meters, the multifunctional event location features a large hall that can be sub-divided with room for 2,000 people, a chamber music hall with 600 seats, a gallery and a foyer, as well as space for open-air events. The construction work has been underway since November 2015. The total investment will come to around EUR 65 million.

In addition to investments in production and storage space, we have also, as in past years, invested in our ORSY® storage management system, which offers our customers storage and provision of various consumables and supplies in line with their needs.

In total, EUR 270 million, or 56 percent of the investment volume, could be attributed to Germany, reflecting the continued high significance of the home market for the Würth Group.

Thanks to our efforts to optimize our investment controlling processes using sophisticated recording and analysis tools in recent years, the Central Managing Board is always in a position to react quickly to changes in the general environment. This is another reason why we once again met our objective of financing investments in intangible assets and in property, plants and equipment in full from our operating cash flow in 2016. Our cash flow from operating activities came in at EUR 903 million (2015: EUR 630 million), up by 43.3 percent on the prior year. The marked increase in this figure is due, in particular, to a lower increase in inventories compared with 2015. The reduction in receivables from financial services, however, which was aperiodic and came to around EUR 70 million, also had a positive impact on the operating cash flow. We consider this level of cash flow from operating activities to be appropriate. The financing of the investments made in 2016 in the amount of EUR 481 million only required 53.3 percent of the operating cash flow (2015: 83.3 percent).

Purchasing

The capacity levels utilized by our suppliers remained consistently high in 2016, which sometimes led to purchasing bottlenecks. The Eurozone Purchasing Managers' Index, which has been above the psychologically important 50-point growth threshold for three years now, confirms the positive order situation for many producers thanks to the stable economy. Despite positive business developments at many companies, however, the overall economic situation remains uncertain, not least due to the Brexit vote and the ongoing political instability in many eurozone countries.

Falling commodity prices, particularly at the beginning of last year, provided purchasing staff within the Würth Group with good arguments for their price negotiations. In addition to oil prices, there were also times at which other prices, including those for the industrial metals nickel, copper and zinc, hit historic lows. By systematically exploiting these advantages, the purchasing team managed to achieve corresponding price reductions on the procurement markets, which ultimately had a positive impact on the company's competitive standing and earnings. In some cases, the prices on the commodity markets bounced back again during the course of the year. This meant that during the last four months of 2016, the purchasing team was already confronted with initial price demands. The trend towards higher commodity prices will put significantly more pressure on purchasing prices in 2017.

All purchasing managers paid particular attention to optimizing the inventory levels of the Würth Group in 2016. The sales growth of 7.1 percent was achieved in tandem with an increase in the total inventory level of only 2.7 percent, which was accompanied by a positive development in stock turnover. Inventory optimization will remain one of the absolute focal points of the purchasing activities in 2017, too. In addition, there are plans to plow ahead with the harmonization of product master data within the Würth Line and the ERP systems to allow cross-company processes to be optimized further.

All in all, trade payables rose by 14.5 percent. EUR 28.0 million of this increase is attributable to acquisitions in the 2016 fiscal year. After adjustments, the increase came to 9.5 percent and can be ascribed not only to the higher sales volume but also to the investment activities in the last quarter of 2016.

Inventories and receivables

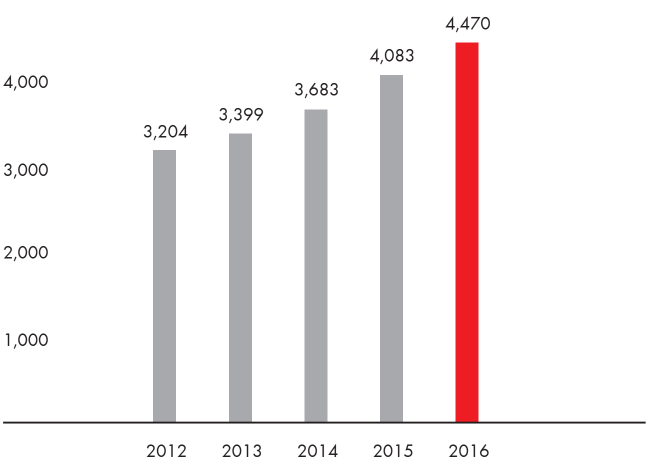
As a company that largely operates in the trade sector, inventories and receivables are key balance sheet items that the company's management is continually seeking to manage and optimize. Both balance sheet items allow for short-term controlling and optimization of liquidity and tied-up capital in the Group. This involves striking the right balance between making sure that our customers are satisfied on the one hand – through offering the best delivery service and adequate payment periods – and optimizing business-related key figures on the other hand.

The sales growth achieved in the 2016 fiscal year also pushed inventories and receivables up.

Trade receivables rose by EUR 149 million to EUR 1,576 million (2015: EUR 1,427 million). Around EUR 40 million of this amount was contributed solely by acquisitions. For years, however, sophisticated controlling systems, which enable rapid responses in the event

EQUITY

Würth Group in millions of EUR



of any indications of negative developments, and optimum interplay between sales and accounts receivable management have enabled the Würth Group to achieve a low level of receivables in relation to sales. The corresponding key figure collection days (based on a 12-month calculation) was improved to 52.6 days compared with 52.9 days in 2015. This is a satisfactory result considering that the Würth Group has operations in more than 80 countries worldwide. The development of the key figure in Germany is even more impressive: traditionally, the collection days in Germany are lower than at the companies outside of Germany. In 2016, this key figure came to 41.5 days, a marked improvement on the previous year (2015: 42.2 days).

We will continue to optimize accounts receivable by means of effective cooperation between sales and accounts receivable management, as well as by refining our analyses. We consider the payment patterns to be critical in Southern Europe, China and India – which on the one hand slows growth, and on the other hand reduces earnings due to an increasing need to recognize impairment losses.

The percentage of bad debts and the expenses from additions to value adjustments related to revenues remained constant at 0.6 percent (2015: 0.6 percent).

We aim not only to satisfy our customers but to inspire them. This also involves achieving a service level that is close to the 100 percent mark. To achieve this, we are prepared to stock individual products, even where this runs contrary to all our business optimization efforts, in order to be able to deliver the goods to the customer one day after the order is placed at the latest. In 2016, we achieved this in 98 out of 100 cases.

In 2016, the inventories of the Würth Group rose only slightly by 2.7 percent or EUR 46 million to EUR 1,699 million (2015: EUR 1,653 million). Despite the acquisitions, which are reflected in inventories of EUR 32 million, inventory growth was well below-average in relation to sales. The further optimization of inventory management in the purchasing department, coupled with the fact that price developments on the commodity markets that are relevant to the Würth Group were favorable in 2016 on average, had a positive impact in this regard. Exchange rate developments continued to be a factor, accounting for an increase of EUR 8 million. This ultimately meant that stock turnover, calculated on a 12-month basis, increased slightly from 4.9 times at the end of 2015 to 5.0 times.

Financing

The equity of the Würth Group climbed to EUR 4,470 million last year, which corresponds to an increase of EUR 387 million.

This translated into another improvement in the equity ratio, which is quite high for a trading company and came to 46.1 percent at the end of the year (2015: 44.3 percent). For years, a comfortable equity capitalization rate has been the basis of consistently high levels of financial stability and the solid financing of our group of companies, and strengthens the customers' and suppliers' trust in the Würth Group. This is due to the typical family business approach of reinvesting a large portion of profits in the company. The high level of equity financing allows the company to be relatively independent of external capital providers.

Total assets rose by EUR 501 million to EUR 9,711 million in 2016 (2015: EUR 9,210 million). The increase of 5.4 percent is largely due to the increase in property, plant and equipment and trade receivables, also due to acquisitions. Thanks to the positive cash flow, the increase in liquidity also contributed to an increase in the balance sheet total. Financial liabilities fell slightly. The activities related to financial services fell slightly as far as total assets are concerned. Refinancing in the banking sector was mainly achieved through financial intermediaries and refinancing programs launched by the European Central Bank, while refinancing in the leasing segment was achieved mainly through the ABCP (Asset-Backed Commercial Paper) program created specifically for this purpose, as well as through non-recourse financing.

The Würth Group has undergone an annual rating process for more than 20 years now. The leading rating agency Standard & Poor's once again confirmed the Würth Group's "A / outlook stable" rating in 2016. This rating reflects the confidence that business and the financial KPIs will continue to develop successfully. The opportunities and potential of the Würth Group are viewed in a positive light. Our long history of good ratings not only documents the positive credit rating; at the same time, it is proof of the continuous and successful development of our corporate group and the stability of our business model.

At the end of the 2016 fiscal year, the Würth Group had three bonds issued on the capital market and one private placement. All covenants in this context have been complied with. In 2018, 2020 and 2022, bonds worth EUR 500 million each will reach maturity, while the private placement of USD 200 million is set to reach maturity in 2021. The maturity profile is therefore well balanced. For further details of the maturity profile and interest structure, please refer to the consolidated financial statements: H. "Notes on the consolidated statement of financial position", [25] "Financial liabilities".

As at 12/31/2016, the Würth Group had liquid funds of EUR 874 million (2015: EUR 616 million). In addition, the Group has a fixed line of credit of EUR 200 million, which remains unused to date, provided by a syndicate of banks until July 2021. Net indebtedness decreased significantly from EUR 1,141 million to EUR 867 million. In order to exploit the current favorable interest rate level and in order to strengthen the long-term financing and liquidity basis of the Würth Group as a foundation for future growth opportunities along with investments, the Würth Group had already launched a "Euro Medium-Term Note" program in 2015. This program will make us more flexible in issuing future bonds and private placements.

Research and development

In addition to successful sales, outstanding logistics and cost-focused action, new products and customer service innovations are crucial when it comes to securing the competitive standing of the Würth Group.

In the 2016 fiscal year, for example, Adolf Würth GmbH & Co. KG generated a fifth of its sales with products that are no more than three years old. This is a very good proportion for a company that specializes in sales. The innovation rate is also high throughout the Group: at present, the Group has 509 active patents, 14 utility models, 469 registered designs, and 7,028 active brands.

Developments within the Würth Line

Würth Perfection Line: a passion for cars
Würth is using a Europe-wide product line to set new standards in the vehicle preparation segment. The Würth Perfection Line portfolio includes all of the key products for vehicle cleaning, maintenance and preparation. The new product line gives customers access to an extensive, innovative and user-friendly range of products. The concept supports Würth customers in their marketing activities by providing flyers, banners and videos to rouse end consumers' excitement for vehicle preparation.

Adolf Würth GmbH & Co. KG: new adhesive sealants can rise to any challenge
Würth has had a new, sophisticated range of silane-modified polymer adhesives (SMP) in its range since 2016. SMPs are neutral adhesives and sealants that harden as a result of a chemical reaction with the moisture in the air, releasing a small amount of alcohol in the process. They are suitable for universal use, UV-resistant and, in some cases, extremely temperature-resistant. The Würth SMP adhesive range contains several adhesive sealants bearing the EMICODE® EC 1 plus seal. The very low-emission products allow Würth to ensure the greatest possible protection for health and the environment.

KALTSCHMELZ® technology revolutionizing interior caravan construction
Thanks to the sector-specific development of a novel connecting element and the provision of suitable processing technology, Würth successfully introduced its innovative KALTSCHMELZ® technology to the interior caravan construction segment in 2016.

Thermoplastic connecting elements are melted using ultrasound. With an oscillation frequency of 20,000 Hz, the molten thermoplastic resin flows into the cavities in the wood material and becomes firmly embedded when it cools to create a form-fitting connection. Very little heat is generated in the process, with any heat that is generated being directed locally into the component being processed. Users benefit from fast processing and a connection that is able to bear weight immediately in lightweight panels without the use of adhesives. The development is based on the protected WoodWelding® technology of WW WoodWelding GmbH from Switzerland.

Quadro-L Vario hammer drill with SDS-plus mounting shaft
Adolf Würth GmbH & Co. KG has added the innovative Quadro-L Vario hammer drill with SDS-plus mounting shaft to its portfolio. The self-centering tip enables precise tapping. The enhanced tip geometry and asymmetrically arranged protrusions on the cutting edges result in improved propulsion. In addition, the symmetrical cutting edge geometry prevents the drill bit from hooking in or running off center when striking reinforcement or hard pebbles in concrete. The core-reinforced Vario feed helix with ridges that are narrower at the front and broader at the back, as well as a steeper spiral angle at the spiral end, delivers a noticeable improvement in drilling speed and improved drilling dust removal, coupled with increased break resistance.

Nationwide parcel stations by Würth in cooperation with ParcelLock
In 2016, Adolf Würth GmbH & Co. KG installed the first five parcel stations in Germany, allowing our customers to use a third location for the delivery of their orders in addition to their home address and the nearest branch office. Parcels are delivered directly to the Würth parcel station upon request and customers are automatically notified that their delivery is ready to collect. A QR code allows them to collect their parcel from the station. This gives our customers access to their orders even outside of our opening hours, providing even more flexibility and independence when it comes to parcel deliveries, an aspect that is becoming more and more important.

The Würth parcel stations are being developed in cooperation with the company ParcelLock, which provides the interface to the main transport service providers and can contribute its experience in the private parcel box sector. The gradual roll-out of the parcel stations to cover branch offices across Germany is planned to take place in 2017 and the next few years. There are also plans to install the stations on company premises and selected major construction sites.

The new ORSY® shelf system sensor: shelving intelligence
The new system uses light-sensitive sensors to recognize when items are added to storage locations. The sensors are mounted on the underside of the shelf. Light pulses are sent from the storage locations and are recognized by the sensors on the underside of the storage location. If the light pulse is reflected by an ORSY® box or a storage bin, then this area of the storage location is recognized as being occupied. All of the pulses are transmitted to a computing unit on the shelf. This information is used to calculate how full the storage spaces are. The occupancy information is transmitted to the ORSY® Service Center, the central IT interface for intelligent ordering systems. It compares the actual and target levels and, if a defined minimum stock level is undershot, it automatically triggers a new order.

Wucato: B2B online procurement platform strengthens online sales
The Würth Group is further expanding its e-business segment with its own B2B online platform in Germany. Wucato is an e-procurement solution for the B2B segment. It gives customers, for the very first time, the opportunity to access a Group-wide product range comprising more than 500,000 products from suppliers within the Würth Group as well as external third-party providers. Wucato allows customers to meet all of their needs using one central platform, optimizing their procurement processes as a result. All ordering and invoicing processes are bundled together on one platform, thus significantly reducing the transaction costs. Wucato gives suppliers a means of tapping into a new sales channel with a broad customer base, offering opportunities for further growth.

Würth Industrie: Kanban Push – the warehouse for materials and hazardous substances with automatic ordering
Under its C-part service brand, Würth Industrie Service GmbH & Co. KG offers customer-specific procurement and supply concepts. Kanban Push is the very first warehouse for materials and hazardous substances that places orders automatically and independently using sensor technology. This makes the warehouse and ordering system perfect for consumables that customers do not require on a regular basis and that they need to access quickly and independently. Kanban Push is the perfect addition to existing material management and maintenance solutions. It uses innovative controls and sensor technology to reduce the work involved in issuing manual purchase requisitions and orders, minimizing purchasing and storage costs as a result. It also allows the range of items and different packaging types to be changed quickly and easily. The fact that the system can be used as a container / box system, and as a storage facility for chemical-technical products or as a mobile shelving unit, gives customers maximum flexibility and allows them to make efficient use of the space available to them.

German Packaging Prize awarded
In 2016, Würth Industrie Service GmbH & Co. KG received the German Packaging Prize in the logistics and material flow categories for its W-KLT® container. These patented Würth small-load carriers form part of the holistic supply concept for production material and operating resources. The flexible, lockable front flap enables quick and easy access to the products. The standardized design makes the containers suitable for use in logistics systems. They also feature an RFID tag by default, thus enabling fully automated reordering via radio waves.

Developments within the Allied Companies

The Allied Companies of the Würth Group also invested in the development of products and services to offer their customers the best possible solutions in 2016.

Würth Elektronik Group
The Würth Elektronik Group consists of three independent main areas:

- Würth Elektronik Circuit Board Technology (CBT): printed circuit boards
- Würth Elektronik eiSos: active, passive and electromechanical components for the electronics industry
- Würth Elektronik ICS: circuit-board-based system solutions for power distribution, display and control panels, and electronic control devices, mainly for commercial vehicles

Display solution for commercial vehicles
In 2016, Würth Elektronik ICS expanded its range of products to include a human-machine interface platform – a widely customizable display solution for commercial vehicles. It can be installed in the vehicle architecture without any further development expenses, making it an interesting option for customers with large and medium-sized series in particular. The new product solution is also fully compatible with the electronic control mechanisms offered by ICS.

Development of flexible printed circuit boards
The R&D department at Würth Elektronik CBT has been working on the development of flexible printed circuit boards for some years now. In 2016, a technology was developed to manufacture flexible electronic systems based on conventional printed circuit board manufacturing processes. In order to make the printed circuit boards elastic, flexible polyurethane substrates are now used instead of rigid glass-fiber reinforced epoxy resin-based materials or flexible polyimide films, with straight conductive lines being replaced by meander-shaped lines. These novel electronic systems combine properties such as elasticity and flexibility. This means that the printed circuit boards can adapt flexibly to freeform surfaces, making them ideal for integration into textiles and portable computer systems. The soft and skin-friendly properties of the polyurethanes are perfect for use in medical applications.

WOW! Würth Online World: repair assistance for car repair shops at a new level
As a manufacturer, WOW! offers an extensive range of diagnostic and air-conditioning service systems. The portfolio is also being expanded to include workshop equipment products, for exhaust emission testing for example, as well as various service concepts, such as service reception. In 2016, the focus was on online repair assistance for car repair shops: the technical data cloud WTI live+ combines, for the first time ever, values from practical experience with diagnostic functions, technical data and error-code-specific information on possible causes and fault rates. WTI live+ is extremely flexible and can be upgraded: if a user requests technical documentation, it is uploaded to the database in a timely manner. The platform's knowledge database grows with every repair case: the online portal combines the wealth of diagnostic data, work units and technical information that WOW! offers its customers and the practical knowledge of its users.

Tunap Cosmetics: innovation through application
As a full-service provider, Tunap Cosmetics focuses on high-quality cosmetic products for haircare, skin and body care, fragrances, oral hygiene and natural cosmetics. In the men's grooming industry, a new packaging system for Shower & Shampoo, which is based on the successful shower gel concept using bag-on-valve technology, was developed in 2016. This technology combines a hygienic bag with an aerosol valve in a pressurized aerosol can. Bag-on-valve technology allows sun cream for the neck, face or head to be applied in the form of a gel. This novel product development will allow the company to reach a new group of customers. In the bodycare segment, Tunap developed a moisturizing body mousse for the French market. Within the styling sector, there have been formulas available since 2016 that not only strengthen the hair using polymers but also propel active ingredients into the hair and strengthen it from the inside.

Arnold Umformtechnik: new joining method
As a specialist for screws and connecting technology for the automotive and electrical industry, Arnold Umformtechnik developed a procedure allowing dissimilar materials to be joined when other joining methods no longer work. This resistance element welding fixes and anchors a metal joining element into an aluminum component using automatic punching. The component is then welded on top of the metal joining element using a resistance spot welding gun, creating a substance-to-substance bond. The joining element is designed so as to be lightweight.

Another new development by Arnold is the flow drilling press bolt Flowpush®. It uses lightweight materials in car body construction to reduce weight while maintaining stability and makes the hole in the materials to be joined itself (self-tapping screw connection). Using Flowpush® helps to considerably reduce cycle times in the joining process and to expand the range of applicability to harder materials.

Kisling: specialist for adhesives and sealants
Kisling develops and produces adhesives and sealants for a wide range of applications for industry and the trades. Last year, one of the focal points of the company's activities was on developing extremely high-performance structural adhesive products. Structural adhesives create high-strength, permanent connections between two components. The technology behind the adhesives developed by Kisling is based on epoxy resins or (meth-)acrylate resins. This made it possible to expand the ergo.® adhesive range, for example, for the loudspeaker industry to include products for the manufacture of high-end loudspeakers. Despite the complex loudspeaker structure, the manufacturing process now only requires one or two adhesives. This results in significant process improvements for customers.

Another development focused on moisture-hardening silicones. A new product line was developed that meets the high maintenance and repair demands of the industrial sector and does not require special labeling. As customers are becoming increasingly aware of the need to offer their employees the best possible protection against hazardous substances at work, Kisling also offers corresponding products to meet these needs.

Grass Group: more breathing room in drawers
Grass is offering a particular highlight with its large-scale glass product Crystal Plus from the Nova Pro Scala® product line. In order to give customers more freedom when it comes to their furniture design, the developers at Grass have reduced the installation space for the required dual-walled frame technology to a minimum. Even the slope adjustment was optimized to such an extent that it can fit into a frame height of exactly 41 millimeters. This unique frame technology means that the view into the drawer is as unobstructed as possible. The drawer can be fitted with glass or other freely selectable design elements. Pre-assembled glass holders make work even easier, along with providing additional stability. What is more, with its patented clip technology, Nova Pro Scala Crystal Plus allows large-scale design elements to be installed or replaced in a few steps, without the need for tools and without compromising on stability. There is no need for gluing, drilling or clamping.

Convenient mechanical system for handle-free opening and soft closing
A simple touch is enough to open the drawer. A gentle movement allows it to be closed softly again, without any abrupt braking or annoying noises. Grass' opening system is setting new standards in comfort thanks to these properties. Tipmatic-Softclose combines two well-known functions: the mechanical opening of handle-free fronts (Tipmatic) and the elegant, soft closing of the drawer (Softclose). One remarkable feature of the system is that the Nova Pro® and Dynapro® system guiding technology fulfills all of the preconditions for the opening system to be incorporated into existing installations – be it for narrow drawers or extra-wide pull-outs. The size and weight of the pull-out are virtually irrelevant for the installation. Thanks to the integrated three-stage adjustment, one ejector unit is sufficient for all weight categories and nominal lengths. Tipmatic-Softclose offers a further functional advantage with its small minimum front gap of only 2.5 millimeters and the integrated tool-free depth adjustment feature.

Risk and opportunities report

As an international corporation, the Würth Group is constantly exposed to risks, but also makes systematic use of opportunities that present themselves. Opportunities and risks can arise both as a result of our own actions or failure to act, and as a result of external factors. The risk and opportunities policy of the Würth Group is aimed at meeting the company's medium-term financial objectives and at ensuring the sustainable, long-term growth of the Group. In order to ensure this, the Würth Group has a system that identifies entrepreneurial opportunities and risks, assesses them using a standardized system, weighs them against each other, and communicates them. Our conscious and systematic approach to addressing opportunities and risks is inextricably linked to our entrepreneurial activities.

How the risk management system works

The Würth Group has a three-tier risk management system (RMS), comprising the cyclical monitoring system of the Auditing Department, Group Controlling Department and the early warning system. The Central Managing Board of the Würth Group holds overall responsibility for the Group-wide risk management process and defines the principles of our risk policy and risk strategy. Responsibility for the installation of a functioning and efficient RMS in the Group companies is the task of the management of each entity within the Group. They are supported by the risk manager, who reports directly to the Central Managing Board of the Würth Group and coordinates risk management at the group level. The risk manager remains in close contact with the risk controller of the Advisory Board, who reports directly to the Chairwoman of the Advisory Board.

How the internal control system for financial reporting works

The aim of the internal control system for financial reporting is to ensure that all business transactions are completely recorded and correctly evaluated with regard to the financial reporting requirements.

The Würth Information System is an integral component of the internal control and risk management system of the Würth Group. With the help of this reporting system, all key figures required to steer the Würth Group are presented in a timely manner and are available for further evaluation by the members of the Central Managing Board and the Executive Vice Presidents, based on standardized monthly reporting.

System-based control mechanisms such as validation and cross-checks optimize the quality of the information as a basis for decision-making. A Group-wide online record of the financial statements of the Group entities is not just efficient; it also avoids carry-over errors, safeguards the uniform provision of information and includes numerous plausibility checks, without which the information cannot be forwarded.

RISK DEVELOPMENT

Würth Group December 31, 2015 – December 31, 2016

Economic Environment	Productivity	IT Structures	Human Resources	Compliance	Business Model
→	→	→	↗	↗	→

↗ slight increase → unchanged ↘ slight decrease

This platform also ensures that financial reporting changes are implemented in a uniform manner across the Group. Data is protected from changes by using control numbers and a system of IT access rights. Standard software is used for consolidation. Changes in the system settings are logged centrally. The monthly and annual financial statements of Group companies are subject to regular automated assessment mechanisms, as are the consolidated financial statements. Moreover, Würth's Policy and Procedure (PAP) Manual contains internal procedural instructions. Internal publications and training include detailed rules on financial reporting. Compliance with these rules is regularly reviewed by the internal audit function. External specialists are consulted to clarify the implications of legal and tax issues on accounting. External actuaries calculate pension obligations and similar obligations. Central and local training for those in charge of finance departments also ensures that all employees involved in the financial reporting process are up to date on the latest legislation and information of relevance to them.

The opportunity and risk management process is updated within the Würth Group on an ongoing basis and adapted to changes in the Group or in its economic and legal environment. In the 2016 fiscal year, the IT-based risk reporting system was established at further Group companies and the Executive Vice Presidents were actively involved in the risk management process.

Risks

The Central Managing Board identifies, analyzes and assesses the Group's opportunities and risks at a annual workshop dedicated to this purpose. This workshop determines focus risks that could pose a threat to the net assets, financial position and results of operations of individual entities or the Würth Group as a whole in the short, medium or long term. Furthermore, with the support of the Risk Manager, all major Group entities carried out a risk inventory and recorded and assessed focus risks and other risks in the reporting system. The processes already in place were continued in 2016, undergoing improvements and adjustments in line with changing internal and external requirements.

Major risks that can be insured on an economically reasonable scale are covered by Group insurance programs for all Group entities whenever possible. We work with credit insurers, for example, where it makes financial sense to do so. In addition, receivables from customers are monitored by an extensive receivable management system, also at the Group level. Individual financial service providers are associated with a heightened risk of default. We counter this risk through a strict credit verification procedure and appropriate insurance for our investment. In 2016, the collection days fell slightly in comparison to 2015, meaning that they are at a very good level overall. This highlights that our risk in this area is relatively low and that the existing processes and systems are effective. We do, however, see ourselves faced with increasing difficulties in Germany as a result of court decisions in insolvency cases, which grant insolvency administrators extensive opportunities for claiming amounts back if we have supported our customers in the past with generous payment terms. Back in 2015, however, we were also able to take out an insurance policy to protect us against unforeseeable risks in this area. Overall insurance cover is managed centrally.

The Central Managing Board has identified potential risks that could have a negative impact on the net assets, financial position and results of operations of the company in the following risk areas, sorted in terms of descending relevance:

Economic environment

Through our global purchasing and sales activities, we have a high natural diversification of risk and a decreased dependency on negative economic developments in individual countries, with more than 80 percent of our sales being generated in Europe. This means that we are hit particularly hard by economic fluctuations in the eurozone. Our companies in Southern Europe, for example in Italy, are exposed to an increased risk, although this situation turned around considerably last year. We believe that other risks lie in political developments on Eastern European markets and in Turkey, as well as in the mounting global risk from IS terrorism. We believe that the increased immigration to Europe not only poses economic and social challenges, but also presents opportunities for the labor market and on the demand side for our customers and, as a result, for the Würth Group. We believe that the rise of right-wing populism and isolated plans to reverse globalization trends within individual countries give cause for concern, although we have not identified any immediate threat to our business objectives for 2017 as yet.

Most of the financial risks of the Würth Group are measured, monitored and managed centrally by Würth Finance International B.V. In order to ensure that the Würth Group is solvent at all times without restriction, the Würth Group has at its disposal sufficient cash and cash equivalents and, thanks to its "A rating" from Standard & Poor's, excellent access to the public and private capital markets to procure further financial resources. There are therefore no liquidity risks for the Würth Group at present. In addition to the existing liquidity, the Würth Group had a contractually agreed, unused credit line of EUR 200 million at the end of 2016, which expires in July 2021. According to the latest liquidity plans, the Würth Group will not need to draw on this credit line in 2017 either. Any risks arising from derivative financial instruments have been accounted for. At the time this management report was prepared, there was no indication of any specific counterparty risks, which are automatically monitored on a daily basis. In 2011, a CSA (Credit Support Annex) was concluded with the main counterparties to derivatives, thus further reducing counterparty risk. Cluster risks are avoided by internal deposit limits for individual banks. For a description of derivatives and associated risks, please refer to the notes on the consolidated financial statements under I. "Other notes", [4] "Financial instruments".

Productivity
Every year, the Würth Group invests an amount in the mid triple-digit million figures to secure its planned sales growth and further expand its market shares in individual regions / market areas. As a result, any deviations from the planned route require a timely response, with targeted measures to counteract such developments. These measures include management using key productivity figures, the in-depth analysis of loss-making companies, a detailed, multi-stage investment controlling process, scenario calculations and a firm focus on achieving the targeted operating results. As a general rule, we take care to ensure that sales and gross profit grow faster than personnel expenses – in line with one of the Würth Group's fundamental principles: "Growth without profit is fatal."

IT structures
Due to the decentralized organizational structure of the Würth Group, with a large number of companies and varying business models and requirements, IT risks are a particular challenge. The Würth Group rises to these challenges with a clear strategy for the standardization and harmonization of its global IT structures.

IT standardization
The centralization of the IT companies and the corresponding specialization means that a range of different system components is now available. A roll-out plan sets out the launch dates at the individual companies, with numerous roll-out teams working on the introduction of the components in question in parallel to ensure a broad multiplication platform for the individual applications, processes and functions.

The roll-outs will make existing processes more uniform, more efficient, more transparent and faster. This will allow the individual companies to respond to the rising demand for individual ordering and delivery services among our customers. Increases in efficiency can still be achieved, as the standardization of the IT structures through central development will result in economies of scale.

The Würth Group's IT service has proven its ability to perform in line with the highest of standards. The uniform system platforms will allow further developments to be made available to all companies working on the platform in question within a very short period of time.

IT security
The security of the IT systems is reviewed by means of IT checks at the Group entities in accordance with a plan coordinated with the Central Managing Board of the Würth Group. We analyze and monitor the potential threat that cyber risks pose on a regular basis We combat the resulting risks by taking organizational and technical countermeasures and also by transferring risks that can be insured to external risk carriers, such as insurers. All measures relating to data security and IT risks are planned in cooperation with our data security officer, who is responsible for the entire Group. In addition, Würth has now introduced an IT Compliance Code of Conduct and appointed an IT Compliance Officer. The network of IT security officers in the companies is used to take measures to ward off security risks quickly at the level of the Group companies and establish those measures for the continuous improvement of IT security. The centralization of the IT systems also allows far-reaching and multi-level security procedures to be implemented, both at the physical level, e.g. in the data centers, and at the logistical level, e.g. in the various system and program components.

Human Resources
Staff turnover, particularly among our sales representatives, remains a focal point. This is documented and analyzed across all hierarchical levels for every company in the Würth Group. Regular employee

surveys conducted by independent institutions and the monthly monitoring of staff turnover are key tools that allow us to identify unfavorable developments, analyze their impact on staff recruitment processes, customer loyalty and training programs, and combat these effects using targeted measures. The overall staff turnover rate of the Würth Group remains at a very encouraging low level at well below the 20-percent mark. The lack of specialist employees to work as members of the in-house staff or the sales force is another challenge for HR management. In Germany, it is also becoming increasingly difficult to find university graduates and skilled trainees. This prompted us to further expand the training measures offered by the Würth Business Academy for the in-house staff and the sales force when it comes to managing young talent and training management employees in 2016. Up-and-coming management candidates undergo training to prepare them for various levels of management within the Würth Group as part of the MC Würth, High Potential and Top Potential management training programs. These programs give employees targeted training that is tailored to suit their own individual ambitions and skills in order to prepare them for further management duties within the Group. The international management seminars, as well as international specialist seminars on issues such as product management, procurement and finance, are organized and coordinated by the Würth Business Academy.

Compliance risks

National and international transactions involving goods, services, payments, capital, technology, software and other types of intellectual property are subject to numerous regulations and limitations that also have to be observed by the companies in the Würth Group. There is no question that we aim to observe and comply with all rules and regulations for our business, both nationally and internationally. These include, among others, regulations on how to deal with employees, competitors, suppliers, data and authorities. Due to the growing complexity of tax law, we have our own in-house experts and consult renowned external consultants on a case-by-case basis. Particularly in emerging markets such as Brazil and China, complex, inconsistent and constantly changing legal principles pose a challenge and also create risks that are difficult to assess and will persist in the long term due to the possibility of retroactive effects.

Value-oriented corporate culture

Mutual trust, predictability, honesty and straightforwardness both internally and externally are fundamental principles that are deeply ingrained in Würth's corporate culture. Our commitment to these values can be found as far back as the corporate philosophy penned by Reinhold Würth in the 1970s. It is not just about adhering to all of the applicable regulations and laws, but also about employees having an appropriate attitude that forms a key component of the sustainable corporate success of the Würth Group. Extensive internal guidelines known as the "PAP" (Policy and Procedure Manual) operationalize these fundamental principles in the form of descriptions of the structures and processes, in addition to setting out specific rules and codes of conduct.

Restructuring of the compliance organization

With regard to the mounting requirements that compliance organizations have to meet at both the national and international level, the Central Managing Board decided, with the consent of the Advisory Board, to restructure the existing compliance components as part of a Group-wide compliance management system and considerably strengthen the compliance organization at the same time. In addition to the position of Chief Compliance Officer, compliance officers were appointed both at the level of the business units and at the level of the individual companies in the 2016 fiscal year. The responsibilities and structures for product, tax and IT compliance that are already in place across the Group will remain in force but will also report to the Chief Compliance Officer of the Würth Group in the future. A newly created Compliance Board will provide advice on compliance incidents as and when required and will make recommendations regarding any measures that need to be taken. The Compliance Board will also be responsible for the further development of the compliance organization and will report to the Central Managing Board and the Advisory Board of the Würth Group in all compliance matters.

Revised and supplemented compliance regulations

In addition to these structural changes, the internal guidelines on matters related to compliance were revised and supplemented. The fundamental features of the corporate philosophy were summarized once again in the Code of Compliance and supplemented with regard to compliance with international standards. In order to anchor the new compliance organization within the Group in the long term, Group-wide training sessions on the new compliance organization and on compliance issues were conducted in the 2016 fiscal year. Communication and training on compliance matters will remain a focal point of the Group-wide communication and training measures in 2017 as well. Training session will focus on the subjects "Offering and accepting gifts and invitations," "Antitrust law and price fixing," "Company secrets" and "Data protection."

Group-wide reporting system
The existing hotline that can be used to report suspected compliance breaches is being upgraded to feature a Group-wide reporting system. This means that, in the future, not only employees but also customers and suppliers can report any suspected compliance breaches directly to the Würth Group Compliance Office. The use of a technical system made available by an external service provider means that reports can be submitted completely anonymously.

Prerequisite for sustainable corporate success
The restructuring of the compliance organization was motivated by the firm conviction of the Central Managing Board and the Würth family, the Supervisory Board of the Würth Group's Family Trusts and the Advisory Board, that a living and breathing compliance culture will play a key role in ensuring the continued success of the Würth Group. At the same time, the management teams of the Group companies can proactively live up to their responsibility with regard to the growing national and international demands that compliance organizations are required to meet.

Business model
The business model for direct selling still offers considerable opportunities for the Würth Group in that it places us very close to the market and ensures customer loyalty. Nevertheless, customer ordering behavior has changed considerably in recent years. The Internet offers a whole host of opportunities for working directly with suppliers. The relative ease with which businesses can establish Internet-based business models is resulting in growing competitive pressure. Our business model has to evolve to reflect this development. We want direct sales to continue playing a key role but also need logistics and a broad product range in order to enjoy market opportunities. Today, sales representatives are more than just salespeople. They are managers of various different customer contact points: the external sales force, branch offices and the online shop. We refer to this as a multi-channel sales model in which e-business serves as a practical complement to the traditional sales methods in a manner that is tailored to suit our customers' procurement organization. We are working at full tilt to further expand our e-business activities, with the goal of establishing e-business capabilities throughout the Group.

Opportunities

The opportunities set out below could have a positive impact on our net assets, financial position and operating result. The opportunities are also listed in decreasing order of relevance.

Decentralized structure
Würth's decentralized structure is a great advantage for the Group, especially in light of the fact that the individual countries in which we operate display such wide variation in their economic development. We believe that this structure presents an opportunity for future growth. It allows for a quick local response to circumstances and changes in any given market environment, meaning that we can implement efficient measures. We will continue to push the development of the Würth Group while maintaining our decentralized structure. The term "decentralized," within this context, does not just refer to regional aspects, but also covers our large number of different business models. However, the fact that we pursue the principle of decentralization does not mean that we cannot standardize processes where it makes sense to do so in order to make more efficient use of our resources.

Market penetration
Our global share of the market is estimated at just five percent due to a low share of the market in most countries, with a few exceptions. What would appear to be a disadvantage actually signals huge growth potential that we can still tap into by further expanding our customer base and intensifying our customer relationships, for example by continually enhancing intelligent distribution systems that offer real benefits to our customers.

Customer relations
More than three million customers form the basis for our business success. As a result, expanding and maintaining our customer relations are key components of our day-to-day activities. We will continue to focus on very intensive customer management at all Group companies. 300,000 customer contacts a day and a large number of long-standing relationships between our customers and our 31,000 sales representatives help us to exploit the existing customer potential to the greatest extent possible. Grouping our customers based on their individual needs is a key control mechanism for strategic management. Our motto is: "To each customer their own Würth". The relationship between customer growth and sales growth, together with the service level, are important indicators of business success for us. Customer insolvencies

are therefore a manageable risk for the Würth Group. Thanks to our very extensive core range of 125,000 products, the comparatively low average order values and the broad customer base, we are well positioned to keep the risks low.

Quality

It is the proclaimed aim of the Würth Group to meet, or where possible exceed, the highest quality standards. For this reason, the guiding principle "Würth is quality – everywhere, every time" was anchored in the Würth Group's quality management back in 2010 and consistently developed further during the period from 2011 to 2016. The brand promise made by this principle applies to all of our markets, and implementing it opens up important new market opportunities. This is true both of customers in the professional trades and those in industry. For us, ensuring reliable compliance with standards, as well as product requirements and approval criteria, is a fundamental quality management task to enable us to be a dependable partner for our customers. This is important, but we do not consider it enough in and of itself: We strive to surpass customer expectations wherever possible with our services and inspire our customers in the process.

In the 2016 fiscal year, the Würth Group's central quality team continued its activities. Quality manager networks were promoted within the units and divisions, and our quality policy and current "quality = productivity" strategy were communicated and discussed. In cooperation with Akademie Würth, we have developed our own training program for this purpose entitled "Würth process management system." Würth Quality Risk Company Assessments (QRCA) identify strengths and potential for improvement and serve to derive measures for the future. 302 QRCAs were conducted by the end of 2016. The management of the respective company directly implements the findings in specific process enhancements that are aimed at raising quality awareness. The measures prioritize customer interfaces (contract review, sales support), complaints management, warehouse batch management, quality assurance and supplier management, with additional employees being hired in this area, too. 95 participants from 20 countries attended the Group's large-scale quality conference at Würth Elektronik, Niedernhall, Germany, to engage in intensive discussions on projects focusing on lean / process management (Würth Process Management System).

An important component remains the validation of future products by Adolf Würth GmbH & Co. KG and Würth International AG and the systematic testing of incoming goods. The Würth Group has its own testing labs worldwide, three of which now have ISO 17025 accreditation. The test laboratory in Taiwan was expanded considerably in 2016 and employed a workforce of 11 at the end of the year under review. The training initiative in quality management was continued in 2016 as well. Employees from quality assurance are the main target group. However, the basic seminars also target employees from other relevant functional areas, such as purchasing. A further 88 employees received training on the subject of quality on 696 seminar days in 2016.

Mergers & Acquisitions

Sustainable and profitable sales growth is one of the key objectives pursued by the Würth Group. The Würth Group establishes subsidiaries to spread successful business models and sales concepts in new markets. In addition to setting up companies and achieving growth via additional divisions and branch offices at existing companies, part of the company's strategy also involves making strategic acquisitions. We want to use these acquisitions to further expand the Würth Group's current global presence in other regions, or to complement it from a strategic angle, as well as to refine the Würth Group's global profile. In 2016, we successfully achieved this objective by acquiring companies principally in North America and Eastern Europe. Our international standing, earnings power and corporate culture make us an attractive partner for potential sellers.

Overall assessment

The risks for the Würth Group are limited by the functioning risk management system that is in place. Existing risks are consistently monitored and assigned measures to ensure that they do not jeopardize the Würth Group's continued prosperity. We are currently not aware of any such risks. The existing opportunities will enable us to continue to grow profitably in 2017 and in the years thereafter.

Employees

- **Number of employees rises to 71,391 worldwide**
- **Establishment of a Group-wide HR network**
- **Health management program receives Corporate Health Award**

Workforce development

The number of employees in the Würth Group rose by 3.5 percent to 71,391 as of December 31, 2016 (2015: 68,978). In Germany, the Würth Group had 21,697 employees on the payroll (2015: 21,145), while Würth companies abroad reported 49,694 employees (2015: 47,833). There were 31,498 employees working as permanent sales representatives worldwide in fiscal year 2016 (2015: 31,080). 749 employees joined us in connection with acquisitions.

HR strategy

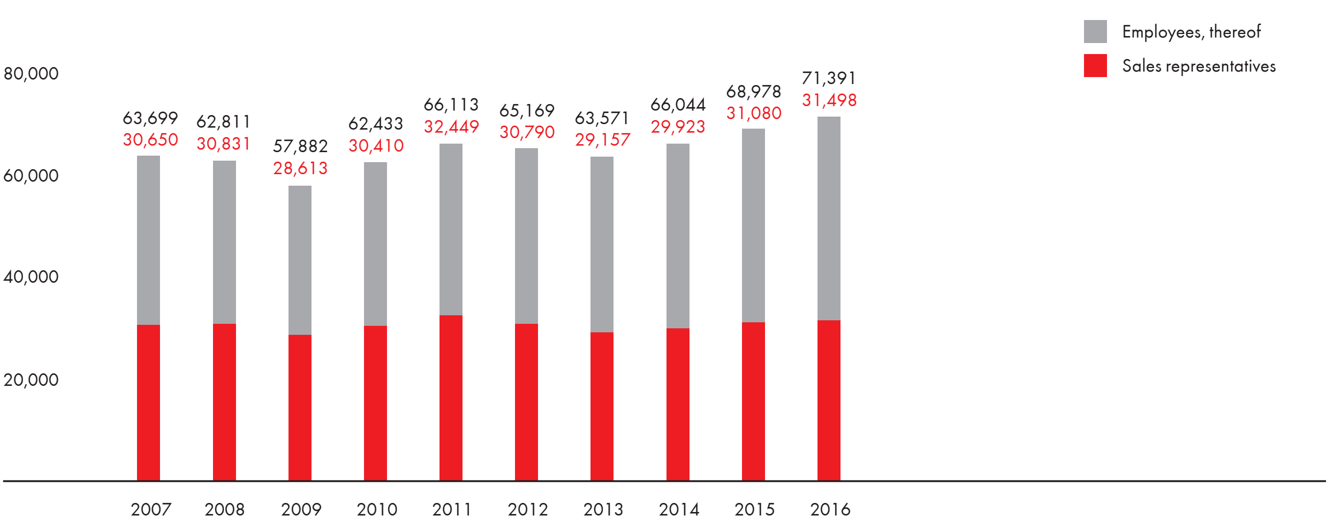
Demographic change, the globalization of the labor market and rising competitive pressure mean that there is greater competition for qualified staff. Extending our radius when recruiting staff for the Würth Group looking to other regions or abroad is the logical consequence. At the same time, the opportunities we offer for working abroad and the Group's international structure are attracting growing interest from applicants. Our HR activities focus on bundling the resulting synergy effects in international collaboration and employee networking within the Würth Group. Scenarios in which employees change companies within the Group, for example due to their career development, the identification of up-and-coming talent or relocations for family-related reasons, call for a central HR administration team that is available internationally to the individual companies in the Group.

Employee training

There are various phases in each employee's working life: there are times at which personal issues such as self-worth or self-confidence play a key role. And there are also times in which the focus is on career advancement – be it in an employee's career as a manager or in the various specialist departments. The programs set up by Würth aim to offer everyone training that suits their individual skills and professional objectives.

EMPLOYEES

Würth Group as of December 31



As a family business, Würth is committed to long-term corporate development. This also applies when it comes to securing talent for the future. In Germany, where there is a long tradition of dual **training** concepts, Würth has been committed to providing people with extensive initial training for more than 60 years now. At the end of 2016, the Würth Group in Germany employed 1,184 trainees for more than 40 occupations. Young professionals can also study for Bachelor's degrees at the Baden-Württemberg Cooperative State University. Around one third of Würth trainees make use of this opportunity. Commercial and technical occupations and culinary traineeships form the main areas of training within the German companies. The subsidiaries within the Group are also working on making continuous improvements to the quality of their training. In 2016, for example, Würth Elektronik was awarded the Dualis certificate by the Chamber of Industry and Commerce of Heilbronn-Franconia for its outstanding commitment as a educational institution.

In Germany, **Akademie Würth** offers employees a holistic continued education concept spanning all hierarchical levels: The program includes seminars on management, leadership, commercial or technical subjects, as well as training sessions to promote personal and social skills and training on working methods, IT applications and foreign languages.

Degree programs for working professionals at **Akademie Würth Business School**, which are open both to employees of the Group and to interested individuals from outside the Group, allow people to study for academic degrees. The Business Administration B.A. in cooperation with the Distance Learning University in Hamburg is a three-and-a-half year program leading to a Bachelor of Arts (B.A.) degree. In collaboration with the University of Louisville in Kentucky (USA), Würth has been offering an internationally recognized Master's degree in Global Business since 2002. The one-year program, which is conducted in English, awards graduates a Master of Business Administration (MBA).

The Würth Group recruits most of its managers from within the company. Within the Group, we offer various development programs through **Würth Business Academy** to ensure comprehensive management training and the systematic development of up-and-coming talent.

The Würth Group offers the following programs:

- The MC Würth program prepares employees for middle management positions. 396 up-and-coming managers participated in 2016.
- The High Potential program supports managers on their way to upper management positions. 127 specialists and executives took part in 2016.
- The Top Potential program prepares select managers for positions in the highest echelons of corporate management over a two to three-year period. 40 managers attended the program in 2016.

Under the auspices of Würth Business Academy, a Group-wide network of HR and HR development specialists are developing common strategies for HR issues that are relevant to the Group in order to ensure that current and future demands placed on modern HR work can be met.

In order to establish forward-looking training and development and to secure the next generation of managers within the Group, Akademie Würth has set up the "Career Workshop" (**Karrierewerk**) for the German companies – a basic qualification seminar for all further career programs. The career workshop is aimed at the lower management level and is designed to provide employees with guidance and training so that they can identify their further development potential. The program is split into management and specialist responsibilities, also offering advanced modules for employees who already have experience in their areas of responsibility and want to deepen that knowledge. As well as providing networking opportunities for employees from various companies, the career workshop plays a key role in promoting the management philosophy and, as a result, the corporate culture of the Würth Group.

Health management

The in-house health management program "Fit mit Würth" launched by Adolf Würth GmbH & Co. KG offers a wide range of measures to promote health. It is split into the following categories: fitness, nutrition, safety, social affairs, preventative health, and well-being. Around 1,500 employees, relatives and pensioners take part in the special programs and courses every year. Specially trained health gurus help their colleagues in the branch offices and within the sales force to live and work in a healthy manner. In 2016, Adolf Würth GmbH & Co. KG received the Corporate Health Award's seal of excellence for outstanding corporate health management. The "Fit mit Würth" health management program has been integrated into the company's processes in a structural and strategic manner.

Employee survey
Employee satisfaction has always been a top priority for the Würth Group. Only satisfied employees can be good employees. They secure the company's competitive standing and, as a result, help to secure jobs. The Würth Group has been conducting a standardized employee survey on a regular basis since 2005. This results in structured information allowing comparisons to be drawn and improving employee well-being and processes in general. The Group-wide survey provides a benchmark both for and between individual companies in the Würth Group. The survey is carried out together with the Mannheim-based WO Institute (Institute for Economic and Organizational Psychology). 199 companies within the Würth Group now take part in the survey. The companies are free to decide how often they conduct the survey – it is generally conducted every two years.

Thanks to our employees
Professor Reinhold Würth is often quoted for saying, "Thanks and respect for as well as appreciation of the work of the employees are natural basic requirements for the further development of the company." It is a statement that neither digitalization nor "virtual realities" can rob of its force. Real people have real feelings, real perceptions, show real reactions, ask real questions and want to give real answers. The authenticity of all employees is what gives Würth its identity. This consolidated authenticity is inherent in the quality of our products, our services and the whole merry-go-round of ideas within our company. The Central Managing Board of the Würth Group would like to thank all of its employees for their real commitment, real ideas, real impetus, and real work. Without these things, we could never be our customers' number one.

We would also like to thank the employee representatives within the Würth companies. Open and honest dialogue forms the backbone of successful and constructive collaboration.

Corporate governance report

Corporate governance provides rules and standards for good and responsible management and for monitoring companies.

Rules, codes of conduct, and standards for management and monitoring functions within the Würth Group are shaped by the corporate philosophy and culture.

The corporate philosophy shaped and defined by Prof. Dr. h. c. mult. Reinhold Würth determines the credo and self-image of the Würth Group. Together with corporate ethics, the corporate culture deals with the values and standards that should underlie entrepreneurial actions and decisions as well as the behavior of people working together. Würth's corporate culture is shaped by concepts such as dynamism, performance orientation, openness, honesty, reliability, and responsibility.

Corporate governance in the Würth Group is ensured by the following rules and systems:

- A written corporate constitution laying out all of the rules of interaction between the company, the Advisory Board and the owners, the Würth Family Trusts
- A dual management system, i.e. division of authority for operating management and supervisory bodies, with the Central Managing Board and Advisory Board comparable to the Management Board and Supervisory Board, respectively, of a stock corporation
- Internal Auditing Department
- Auditing of significant separate financial statements and the consolidated financial statements by independent auditors
- Establishment of risk management and risk controlling systems
- Refined controlling methods to create transparency in operating units
- Rating of the Würth Group by an international rating agency

In addition to these regulations and measures, the Central Managing Board of the Würth Group follows the current development of the German Corporate Governance Code (GCGC) and the German Code for Family Businesses. It adheres to these codes wherever the regulations are applicable to the Würth Group. Below are some further examples of corporate governance measures in addition to those described above:

- Efficiency assessment conducted in the Advisory Board of the Würth Group pursuant to No. 5.6 GCGC
- Establishment of committees within the Advisory Board of the Würth Group, e.g. the Audit Committee, pursuant to No. 5.3.2 GCGC
- Clear division of responsibilities between the bodies of the Würth Group by way of a binding approval catalog for management measures
- Performance-related payment of top management with variable and fixed salary components pursuant to No. 4.2.3 GCGC; appropriateness of total remuneration is borne in mind and a cap on severance packages has been arranged.

A further component of corporate governance is compliance on the part of the employees. With 71,000 employees, the Würth Group needs clear rules to determine its conduct or to define the framework for entrepreneurial decisions. This is particularly relevant in light of the fact that the Würth Group's activities span more than 80 countries.

We are therefore required to define binding standards and rules of conduct without infringing the laws and values prevailing in various countries and cultures. Based on the Würth corporate philosophy and the Würth corporate culture as described above, the Central Managing Board developed a Code of Compliance, which was approved by the Advisory Board. It serves as a guide for managers and employees on what sort of conduct and action is expected from them within the company and vis-à-vis the company environment.

Subsequent events

For information on the events after the balance sheet date, refer to the comments in the notes on the consolidated financial statements under [10] "Events after the reporting period" in I. "Other notes."

Outlook

Overall economic environment
Global GDP is expected to grow by 3.4 percent year-on-year in 2017, 0.3 percentage points more than in 2016 (+3.1 percent).

As far as **Germany**, the most important sales market for the Würth Group, is concerned, GDP growth is expected to reach 1.7 percent (2016: + 1.9 percent), which points to a slight wane in economic activity. An unusually large number of public holidays fall on working days in 2017. After adjustments to reflect the number of working days, the gross domestic product would be much higher. The solid labor market, robust exports and a boom in the construction sector are expected to be the pillars propping up growth and investment. Potential new trading barriers could, however, result in a cloudier economic outlook.

The Würth Group generates most of its sales in the **eurozone**, where the economy showed signs of consolidation in 2016. The forecasts for 2017 point towards similar economic development to that witnessed in 2016. Economic growth is expected to come in at 1.6 percent in the eurozone (2016: + 1.7 percent). Although the economy in **Spain** is being hit hard by the high level of unemployment, it will continue its upswing in 2017. GDP growth of 2.3 percent is expected this year (2016: + 3.2 percent). Real economic growth in **Italy** will come to 0.9 percent (2016: + 0.9 percent): A slight drop in consumer prices should provide impetus for consumption. Nevertheless, the country remains locked in a banking crisis and still has a high level of national debt. In **France,** GDP is expected to expand by 1.4 percent in 2017 (2016: + 1.1 percent). After GDP in the **UK** grew by 1.8 percent in 2016, 2017 is expected to bring growth of 2.0 percent – fueled by strong consumer demand.

The **USA** was expected to report stronger growth in 2016**,** with GDP increasing by only 1.6 percent instead. The forecast is more positive for 2017: US President Trump promised drastic tax cuts for the corporate sector and citizens alike at the start of his term in office. He also wants to make large-scale investments in US infrastructure. If these measures are taken and bear fruit, then GDP growth is expected to come to 2.3 percent in 2017.

The emerging markets of **China and India** , which are very important to the Würth Group, will remain global growth drivers. The Chinese economy is expected to grow by + 6.5 percent in 2017, roughly on a par with the previous year (2016: + 6.7 percent). The outlook for India is also positive, with GDP predicted to rise from 7.1 percent in 2016 to up to + 7.2 percent this year. Looking at **Latin America**, this region could see a return to positive figures after a two-year recession. Growth is expected to reach up to 2.0 percent in 2017. The expectations for **Russia** suggest that the country could leave the recession behind this year. As a result, GDP growth is expected to reach up to 2.0 percent (2016: – 0.2 percent).

Development of the Würth Group

- **Further above-average increase in operating result**
- **Combining digital and analog sales in an intelligent manner**
- **Carmen Würth Forum as a new exclusive event center**

The Würth Group set a new sales record of EUR 11.8 billion in 2016. The operating result came to EUR 615 million, which corresponds to a double-digit growth rate of 17.1 percent. This success has paved the way for the new fiscal year. It maps out the path on which we can continue. With such positive results behind us, we can adopt an optimistic attitude concerning the future.

As a trading company, our focus is always on the purchasing behavior of our customers. How do they buy our products? For some time now, this question has had more than one answer. Würth has turned itself into a multi-channel distribution company, offering its customers a large number of different purchasing opportunities. But the old maxim applies to purchasing habits as well: To each customer their own Würth.

Digital and analog selling are not mutually exclusive for us. It goes without saying that we are making the most of the latest technology and the rapid progress that comes along with it. Both have made various decisions possible in the process of buying and selling. Direct selling via the sales force remains the central pillar of Würth's sales structure. At the same time, however, we are expanding our network of stationary branch offices. In 2017, for example, Adolf Würth GmbH & Co. KG plans to increase the number of branch offices in Germany from 437 at the beginning of the year to 480 by the end of the year.

We are also paying close attention to e-business. Our online purchasing platform Wucato, which is designed for the B2B segment, went live in December 2016. It grants customers access to more than 500,000 products from suppliers within the Würth Group, as well as from third-party providers. This is another key step in ensuring our digital competitiveness.

Focal issues in 2017 will also include the online shop for the conventional Würth craft customers and the area of electronic purchasing for system and large-scale customers. The flagship company – especially in Europe – is Adolf Würth GmbH & Co. KG. The online shop of the Würth Group, which is currently managed centrally within this company, has already been successfully launched at 30 companies. However, we have made a conscious decision not to give the area of e-business a special status within the Group. Our overarching aim is to combine this customer contact point with the tried-and-tested, conventional customer contact points – namely sales representatives, branch offices and telephone sales – as part of a multi-channel strategy in such a way that our customers can say "That's really Würth" in the future, too.

Establishing brand trust and brand loyalty among our customers is the aim of all of the promises we make with regard to quality, service, availability, reachability, and reliability. This is how we understand the title of this year's Annual Report of the Würth Group "Real.": The key performance features of the Würth brand that our customers have been relying on for decades now were, are and will remain real – irrespective of how our customers find their way to us as a result of the new possibilities offered by digitalization. Communication is a multi-faceted matter. But deciding with whom we wish to communicate will still be based on trust, which has often grown over a long period of time.

In 2017, the Würth Group will be celebrating a very special event as part of its cultural commitment: July 18, the birthday of Carmen Würth, the wife of Prof. Dr. h. c. mult. Reinhold Würth, will mark the official opening of Carmen Würth Forum – an exclusive event center located on the premises of Adolf Würth GmbH & Co. KG in Künzelsau. Designed by the British architect David Chipperfield, the multifunctional building features a large hall that can be sub-divided, the Great Hall with room for more than 2,000 people, and chamber music hall (Reinhold Würth Hall) with 600 seats. Covering a total area of approximately 11,000 square meters, Carmen Würth Forum also boasts a foyer and a terrace for catering, get-togethers and evening events, offering a view of the sculpture park in the outdoor area and of the Hohenlohe landscape. The generous park in front of the forum is intended for open-air events and outdoor activities for up to 10,000 guests. Thus, Carmen Würth Forum can be used for all sorts of events organized by the Würth Group or can be hired by third parties.

General statement on the future development of the Würth Group:

During the 2017 fiscal year, the Würth Group expects to achieve sales growth in the mid single-digit range and an operating result of between EUR 660 million and EUR 680 million. We expect the development in gross profit to remain constant. We predict a slightly positive development in collection days, stock turnover and staff turnover. All of these statements are subject to the proviso that innovation, employment and global economic growth continue to show positive development.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in millions of EUR		2016	Share %	2015	Share %	Change %
Sales	[1]	11,836.2	100.0	11,046.8	100.0	7.1
Changes in inventories		2.1	0.0	9.5	0.1	– 77.9
Own work capitalized		13.3	0.1	17.0	0.1	– 21.8
Cost of materials	[2]	5,813.2	49.1	5,423.4	49.1	7.2
Cost of financial services	[3]	33.0	0.3	38.3	0.3	– 13.8
		6,005.4	**50.7**	**5,611.6**	**50.8**	**7.0**
Other operating income	[4]	134.0	1.1	177.6	1.6	– 24.5
Personnel expenses	[5]	3,281.2	27.7	3,092.0	28.0	6.1
Amortization and depreciation		344.6	2.9	331.5	3.0	4.0
Other operating expenses	[6]	1,870.2	15.8	1,794.2	16.2	4.2
Finance revenue	[7]	44.9	0.4	39.5	0.4	13.7
Finance costs	[7]	91.4	0.8	95.0	0.9	– 3.8
Earnings before taxes	[8]	**596.9**	**5.0**	**516.0**	**4.7**	**15.7**
Income taxes	[9]	134.6	1.1	81.8	0.8	64.5
Net income for the year		**462.3**	**3.9**	**434.2**	**3.9**	**6.5**
Attributable to:						
Owners of parent companies in the Group		451.4	3.8	419.6	3.8	7.6
Non-controlling interests		10.9	0.1	14.6	0.1	– 25.3
		462.3	**3.9**	**434.2**	**3.9**	**6.5**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of EUR		2016	Share %	2015	Share %	Change %
Net income for the year		462.3	100.0	434.2	100.0	6.5
Items that are not reclassified to profit or loss						
Remeasurement of defined benefit plans	[26]	– 6.4	– 1.4	6.6	1.5	< 100
Taxes attributable to other comprehensive income		1.8	0.4	– 0.7	– 0.2	> 100
Items that may be reclassified to profit or loss in certain circumstances						
Foreign currency translation		30.0	6.5	21.6	5.0	38.9
Other comprehensive income		**25.4**	**5.5**	**27.5**	**6.3**	– 7.6
Total comprehensive income		**487.7**	**105.5**	**461.7**	**106.3**	**5.6**
Attributable to:						
Owners of parent companies in the Group		476.6	103.1	446.4	102.8	6.8
Non-controlling interests		11.1	2.4	15.3	3.5	– 27.5
		487.7	**105.5**	**461.7**	**106.3**	**5.6**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets in millions of EUR		**2016**	Share %	**2015**	Share %	Change %
Non-current assets						
Intangible assets including goodwill	[10]	583.7	6.0	608.4	6.6	– 4.1
Property, plant and equipment	[11]	2,909.5	30.0	2,733.4	29.7	6.4
Financial assets	[12]	49.3	0.5	48.2	0.5	2.3
Receivables from financial services	[13]	770.5	7.9	704.5	7.6	9.4
Other financial assets	[18]	10.6	0.1	14.0	0.2	– 24.3
Other assets	[19]	31.0	0.3	28.7	0.3	8.0
Deferred taxes	[14]	152.2	1.6	136.8	1.5	11.3
		4,506.8	**46.4**	**4,274.0**	**46.4**	**5.4**
Current assets						
Inventories	[15]	1,698.5	17.5	1,653.4	18.0	2.7
Trade receivables	[16]	1,575.5	16.2	1,427.2	15.5	10.4
Receivables from financial services	[13]	568.5	5.9	735.5	8.0	– 22.7
Income tax assets	[17]	34.3	0.4	54.3	0.6	– 36.8
Other financial assets	[18]	141.1	1.5	154.2	1.7	– 8.5
Other assets	[19]	153.0	1.6	157.9	1.7	– 3.1
Securities	[20]	137.1	1.3	137.4	1.4	– 0.2
Cash and cash equivalents	[21]	873.9	9.0	615.9	6.7	41.9
		5,181.9	**53.4**	**4,935.8**	**53.6**	**5.0**
Assets classified as held for sale	[22]	22.2	0.2	0.0	0.0	–
		5,204.1	**53.6**	**4,935.8**	**53.6**	**5.4**
		9,710.9	**100.0**	**9,209.8**	**100.0**	**5.4**

Equity and liabilities in millions of EUR		2016	Share %	2015	Share %	Change %
Equity						
Equity attributable to parent companies in the Group	[23]					
Share capital		408.4	4.2	408.4	4.4	0.0
Reserves		1,860.0	19.2	1,678.1	18.2	10.8
Retained earnings		2,093.9	21.6	1,889.2	20.5	10.8
		4,362.3	45.0	3,975.7	43.1	9.7
Non-controlling interests		107.2	1.1	107.0	1.2	0.2
		4,469.5	**46.1**	**4,082.7**	**44.3**	**9.5**
Non-current liabilities						
Liabilities from financial services	[24]	285.4	2.9	348.3	3.8	– 18.1
Financial liabilities	[25]	1,739.0	17.9	1,728.4	18.8	0.6
Obligations from post-employment benefits	[26]	267.2	2.8	248.7	2.7	7.4
Provisions	[27]	95.5	1.0	93.3	1.0	2.4
Other financial liabilities	[28]	68.4	0.8	105.7	1.2	– 35.3
Other liabilities	[29]	2.9	0.0	4.2	0.0	– 31.0
Deferred taxes	[14]	130.5	1.3	141.2	1.5	– 7.6
		2,588.9	**26.7**	**2,669.8**	**29.0**	**– 3.0**
Current liabilities						
Trade payables		634.0	6.5	553.5	6.0	14.5
Liabilities from financial services	[24]	854.7	8.8	826.5	9.0	3.4
Financial liabilities	[25]	138.8	1.4	166.1	1.8	– 16.4
Income tax liabilities		44.3	0.5	28.2	0.3	57.1
Provisions	[27]	176.7	1.8	147.7	1.6	19.6
Other financial liabilities	[28]	373.4	3.8	364.5	4.0	2.4
Other liabilities	[29]	410.1	4.2	370.8	4.0	10.6
		2,632.0	**27.0**	**2,457.3**	**26.7**	**7.1**
Liabilities in a group of assets classified as held for sale	[22]	20.5	0.2	0.0	0.0	–
		2,652.5	**27.2**	**2,457.3**	**26.7**	**7.9**
		9,710.9	**100.0**	**9,209.8**	**100.0**	**5.4**

CONSOLIDATED STATEMENT OF CASH FLOWS*

Cash flow from operating activities

in millions of EUR	2016	2015
Earnings before taxes	**596.9**	**516.0**
Income taxes paid	– 123.0	– 118.8
Finance costs	91.4	95.0
Finance revenue	– 44.9	– 39.5
Interest income from operating activities	11.9	17.2
Interest payments from operating activities	– 13.2	– 12.4
Changes in obligations from post-employment benefits	5.6	2.6
Amortization, depreciation and impairment losses / reversals of impairment	343.1	327.9
Losses on the disposal of non-current assets	4.6	3.4
Gains on the disposal of non-current assets	– 8.7	– 6.2
Insurance settlements for investments	0.0	– 39.4
Other non-cash income and expenses	38.1	39.2
Gross cash flow	**901.8**	**785.0**
Changes in inventories	– 13.8	– 114.5
Changes in trade receivables	– 153.9	– 103.8
Changes in receivables from financial services	95.2	– 22.0
Changes in trade payables	53.5	24.3
Changes in liabilities from financial services	– 23.9	44.4
Changes in short-term securities	0.4	– 6.0
Changes in other net working capital	43.6	22.3
Cash flow from operating activities	**902.9**	**629.7**
Investments in intangible assets	– 40.3	– 33.8
Investments in property, plant and equipment	– 439.8	– 471.4
Investments in financial assets	– 1.3	– 3.6
Investments in newly acquired subsidiaries less cash**	– 64.8	– 247.0
Inflow of funds from insurance settlements	0.0	39.4
Cash received from the disposal of assets	27.2	33.8
Cash flow from investing activities	**– 519.0**	**– 682.6**

Cash flows

in millions of EUR	2016	2015
Distributions	– 253.3	– 254.8
Changes in receivables from / liabilities to Family Trusts and the Würth family including interest income	21.8	18.9
Capital contribution	154.0	164.7
Increase in financial liabilities	93.9	554.8
Decrease in financial liabilities	– 113.4	– 369.0
Interest payments / income from financing activities	– 34.7	– 46.8
Increase / decrease in majority shareholdings	– 1.6	0.0
Cash flow from financing activities	**– 133.3**	**67.8**
Changes due to consolidation	7.4	– 0.6
Changes in cash and cash equivalents	**258.0**	**14.3**

Composition of cash and cash equivalents

in millions of EUR	2016	2015	Change in millions of EUR
Short-term investments	0.2	0.8	– 0.6
Other cash equivalents	4.3	5.7	– 1.4
Cash on hand	2.3	2.5	– 0.2
Bank balances	867.1	606.9	260.2
Cash and cash equivalents	**873.9**	**615.9**	**258.0**

* Reference to "J. Notes on the consolidated statement of cash flows"

** Reference to "C. Consolidated group"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to parent companies in the Group						
		Reserves					
in millions of EUR	Share capital	Differences from currency translation	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2015	**395.2**	**– 77.7**	**1,596.0**	**1,698.2**	**3,611.7**	**71.3**	**3,683.0**
Net income for the year	0.0	0.0	0.0	419.6	419.6	14.6	434.2
Other comprehensive income	0.0	21.6	5.2	0.0	26.8	0.7	27.5
Total comprehensive income	0.0	21.6	5.2	419.6	446.4	15.3	461.7
Capital increase / reduction	13.0	0.0	151.5	0.0	164.5	0.2	164.7
Transfer to / drawings from reserves	0.0	0.0	– 17.8	17.8	0.0	0.0	0.0
Distributions	0.0	0.0	0.0	– 247.1	– 247.1	– 7.7	– 254.8
Changes in the consolidated group	0.0	0.0	0.0	0.0	0.0	26.1	26.1
Other income and expense recognized in equity	0.2	– 1.0	0.3	0.7	0.2	1.8	2.0
December 31, 2015	**408.4**	**– 57.1**	**1,735.2**	**1,889.2**	**3,975.7**	**107.0**	**4,082.7**
Net income for the year	0.0	0.0	0.0	451.4	451.4	10.9	462.3
Other comprehensive income	0.0	30.0	– 4.8	0.0	25.2	0.2	25.4
Total comprehensive income	0.0	30.0	– 4.8	451.4	476.6	11.1	487.7
Capital increase / reduction	0.0	0.0	150.6	0.0	150.6	3.4	154.0
Transfer to / drawings from reserves	0.0	0.0	7.0	– 7.0	0.0	0.0	0.0
Distributions	0.0	0.0	0.0	– 239.7	– 239.7	– 13.6	– 253.3
Increase in majority shareholdings	0.0	0.0	– 0.9	0.0	– 0.9	– 0.7	– 1.6
December 31, 2016	**408.4**	**– 27.1**	**1,887.1**	**2,093.9**	**4,362.3**	**107.2**	**4,469.5**

CONSOLIDATED VALUE ADDED STATEMENT*

Origin of value added in millions of EUR	**2016**	**2015**	Change %
Sales	11,836.2	11,046.8	7.1
Changes in inventories and own work capitalized for capital expenditure	15.4	26.5	– 41.9
Other operating income	134.0	177.6	– 24.5
Finance revenue	44.9	39.5	13.7
	12,030.5	**11,290.4**	**6.6**
Less advance payments			
Cost of materials and cost of financial services	5,846.2	5,461.7	7.0
Other operating expenses	1,870.2	1,794.2	4.2
Amortization and depreciation	344.6	331.5	4.0
	8,061.0	**7,587.4**	**6.2**
Value added	**3,969.5**	**3,703.0**	**7.2**

Purpose in millions of EUR	**2016**	**2015**	Change %
Employees (personnel expenses)	3,281.2	3,092.0	6.1
Public sector (tax expenses)	134.6	81.8	64.5
Company	363.0	344.1	5.5
Equity holders**	99.3	90.1	10.2
Lenders	91.4	95.0	– 3.8
Value added	**3,969.5**	**3,703.0**	**7.2**

* Not part of the consolidated financial statements in accordance with IFRS
** Distributions net of contribution to capital

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

A. General information

The headquarters of the Würth Group are located in 74653 Künzelsau, Germany.

The core business of the Würth Group involves trade in fastening and assembly materials worldwide. The companies that make up the Würth Group's active sales operations are divided into two operational units: Würth Line and Allied Companies.

Würth Line operations focus on fastening and assembly materials, supplying customers in the trades, the construction sector, and industry. The sales portfolio of the Würth Line comprises products sold under its own brand name and by its own sales organization. Its main business activity is the sale of screws, screw accessories, DIN and standard parts, chemical-technical products, furniture and iron fittings, dowels, insulation, hand tools, power tools, cutting and pneumatic tools, service and care products, connecting and fastening materials, stocking and picking systems as well as the direct shipment of workwear.

The Allied Companies, which either operate in business areas adjacent to the core business or in diversified business areas, round off the Würth Group's portfolio. They are divided into nine strategic business units. With the exception of a small number of manufacturing companies, the majority are sales companies operating in related areas. The Diversification unit within the Allied Companies comprises service companies, such as hotels, restaurants and logistics operators.

B. Adoption of International Financial Reporting Standards

Statement of compliance

The consolidated financial statements of the Würth Group were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] and full IFRS. The consolidated financial statements consist of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes on the consolidated financial statements. The Group management report has been prepared in accordance with Sec. 315 HGB.

Basis of preparation

All IFRS whose adoption is mandatory as of December 31, 2016 have been applied. This also includes the International Accounting Standards (IAS) as well as the interpretations issued by the IFRS Interpretations Committee (formerly: IFRIC) and the Standing Interpretations Committee (SIC).

The financial statements have been prepared on the basis of historical costs, with the exception of financial assets at fair value through profit or loss and financial assets that are measured at fair value without affecting profit or loss.

The carrying amounts of the assets and liabilities recognized in the statement of financial position, which represent underlying transactions in connection with fair value hedges and are otherwise stated at amortized cost, are adjusted to reflect the changes in the fair value that can be attributed to the hedged risks in effective hedge relationships.

The consolidated financial statements have been prepared in euro. All figures are reported in millions of euro (EUR) unless otherwise indicated.

The items in the statement of financial position have been classified into current and non-current assets and liabilities in accordance with IFRS. Items not due within a year are disclosed as non-current assets or non-current liabilities. In addition, deferred taxes are disclosed as non-current assets or liabilities.

The consolidated income statement has been prepared using the nature of expense method.

The consolidated financial statements were authorized by the Central Managing Board of the Würth Group on March 10, 2017 for issue to the audit committee of the Würth Group's Advisory Board.

Use of estimates and judgments
The preparation of the consolidated financial statements pursuant to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and other financial obligations as of the reporting date, and the reported amounts of income and expenses during the reporting period. The assumptions and estimates are based primarily on Group-wide regulations governing useful lives, accounting policies for capitalized development costs and provisions, the probability of future tax relief being realized from deferred tax assets and on the assumptions regarding the future earnings power of cash-generating units. Actual amounts in future periods may differ from the estimates. Changes are recognized in income if and when better information becomes available.

The main assumptions concerning the future and other key sources of estimation uncertainty as of the reporting date that entail a risk of causing a material adjustment to the carrying amounts of assets and liabilities in the following fiscal year are discussed below.

a) Impairment of goodwill
The Würth Group tests goodwill for impairment at least once a year. This involves an estimate of the net selling price of the cash-generating units to which the goodwill is attributed. The cash-generating units are determined on the basis of the lowest level used to monitor goodwill for internal purposes by management when making decisions on business combinations. In the Würth Group, it is the legal entity that is considered to be a reporting unit, with the exception of Dinol and Diffutherm. As of December 31, 2016, the carrying amount of goodwill totaled EUR 276.8 million (2015: EUR 299.0 million). Further details are presented in the notes on the consolidated statement of financial position under [10] "Intangible assets including goodwill".

b) Impairment of intangible assets and property, plant and equipment
The Würth Group tests intangible assets and property, plant and equipment for impairment if events or changes in circumstances suggest that it may not be possible to recover the carrying amount of an asset. The intrinsic value is calculated by comparing the carrying amount of the individual assets with their recoverable amount. The recoverable amount is either the value in use or the fair value, whichever is higher, less the cost of sale. If an asset does not generate any cash inflows that are largely independent of the cash inflows generated by other asset groups, the impairment test is not carried out for each individual asset, but rather for the respective cash-generating unit. Further details are presented in the notes on the consolidated statement of financial position under [10] "Intangible assets including goodwill" and [11] "Property, plant and equipment".

c) Unused tax losses and temporary differences
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Unused tax losses and temporary differences are considered recoverable only if they are likely to be used within the next five years. Deferred tax assets recognized on unused tax losses amount to EUR 25.3 million as of December 31, 2016 (2015: EUR 24.4 million).

d) Obligations from post-employment benefits
The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in their respective currencies with at least an AA rating or above, and the extrapolated maturity corresponding to the expected duration of the defined benefit obligation. Moreover, the quality of the underlying bonds is assessed. Those having excessive credit spreads are excluded from the analysis of bonds from which the discount rate is derived, on the grounds that they do not represent high-quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. The net carrying amounts of the obligations from post-employment benefits amount to EUR 267.2 million as of December 31, 2016 (2015: EUR 248.7 million). Further details are presented in the notes on the consolidated statement of financial position under [26] "Obligations from post-employment benefits". All parameters are reviewed annually.

e) Securities
Financial assets for which there is no active market were measured on the basis of the expected cash flows discounted at a rate that reflects the terms and risks involved. This measurement is subject to estimation uncertainty because it is most sensitive to the discount rates used in the discounted cash flow method as well as the expected future cash inflows. The fair value of these financial assets totaled EUR 75.5 million as of December 31, 2016 (2015: EUR 71.1 million).

f) Development costs
Development costs are capitalized in accordance with the accounting policies presented in section F. Initial recognition of development costs is based on an assessment by management that the development is both technically and economically feasible. Generally, this is the case if a product development project has reached a certain milestone within an existing project management model. When determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generated by the assets, discount rates to be applied and the expected period of benefits. As of December 31, 2016 the carrying amount of capitalized development costs was EUR 16.5 million (2015: EUR 20.2 million).

g) Receivables
To determine specific allowances, receivables that could potentially be impaired are assessed for impairment and valuation allowances applied where appropriate. The calculation of valuation allowances on receivables is based primarily on assessments and analyses performed by the local management. In addition to the creditworthiness of, and default on payment by, the customer in question, historical default rates are also taken into account. Further details are presented in the notes on the consolidated statement of financial position under [13] "Receivables from financial services" and [16] "Trade receivables".

h) Purchase price liabilities for subsidiaries / business operations acquired
Some business combinations involve conditional purchase price components, or the seller is granted put options for non-controlling interests. The resulting purchase price liabilities are subject to estimates in the form of the objectives that can be achieved in the future and with respect to the present value assumptions for the future purchase prices.

i) Purchase price receivables for sold subsidiaries
Company disposals are sometimes associated with conditional purchase price components. The resulting purchase price receivables are subject to estimates regarding the present value assumptions for the future purchase price payments.

Effects of new accounting standards
The accounting policies adopted are consistent with those of the prior fiscal year, except that the Group has adopted the new / revised IFRS and IFRIC interpretations set out below, which are mandatory for fiscal years beginning on or after January 1, 2016. The changes in accounting policies and in the disclosures in the notes are due primarily to the adoption of:

- **IFRS 11 "Acquisition of an Interest in a Joint Operation"**
- **IAS 1 "Presentation of Financial Statements"**
- **IAS 16 and IAS 38 "Acceptable Methods of Depreciation and Amortization"**
- **Improvements to IFRS 2012-2014**

The adoption of these standards or interpretations is described below:
The amendment to **IFRS 11 "Acquisition of an Interest in a Joint Operation"** was published in May 2014 and is to be applied for the first time to the fiscal year starting on or after January 1, 2016. The amendment states that a joint operator reporting the acquisition of an interest in an existing joint operation that constitutes a business, as defined in IFRS 3 "Business Combinations", is required to apply all of the principles on business combinations accounting in IFRS 3

and other standards and must make the disclosures set out in these standards for business combinations. It also clarifies that previously held interests in a joint operation are not remeasured upon acquisition of an additional interest in the same joint operation whilst retaining joint control. The amendment also includes a scope exception designed to clarify that the amendments do not apply if the parties (including the reporting company) that share joint control are under the joint control of a single party. The amendment applies both to the first-time acquisition of interests in a joint operation and the acquisition of further interests in the same joint operation. The amendment is to be applied prospectively. The amendments will enhance comparability and could have an impact on the comparability of the Würth Group, since the application of the provisions set out in IFRS 3 "Business Combinations" for joint activities that constitute a business could result in a statement of goodwill in the future.

As part of its major "Disclosure Initiative" project to explore and improve presentation and disclosure requirements, the IASB has published the first set of changes to **IAS 1 "Presentation of Financial Statements"**. These include limited amendments designed to encourage companies to exercise more discretion in stating and presenting information. The amendments clarify, by way of example, that the principle of materiality relates to the entire financial statements and that stating immaterial information can make financial data less useful. More discretion should also be exercised when it comes to the position and order of information in the financial statements. The amendments are mandatory for fiscal years beginning on or after January 1, 2016.

The amendments to **IAS 16 and IAS 38 "Acceptable Methods of Depreciation and Amortization"** clarify the principle set out in IAS 16 and IAS 38 that the revenue should reflect the economic benefits generated from the operation of a business (of which an asset is part). Revenue does not, on the other hand, correspond to the economic benefit consumed by the use of the asset. As a result, the relationship between the revenue generated and the expected future total revenue cannot be used for the depreciation of property, plant and equipment, but only for the amortization of intangible assets – and even here, only in very limited cases. The amendment is to be applied prospectively and applies to reporting years starting on or after January 1, 2016.

Improvements to IFRS 2012–2014

The improvements to IFRS 2012–2014 constitute an omnibus of amendments that was published in September 2014 and includes changes to various IFRS that are to apply, as a mandatory requirement, to fiscal years beginning on or after January 1, 2016.

- **IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"** adds specific guidance for cases in which an entity reclassifies an asset from held for sale to held for disposal (or vice versa).
- **IFRS 7 "Financial Instruments: Disclosures"** adds additional guidance to clarify whether a servicing contract constitutes continued involvement in a transferred asset for the purpose of determining the disclosures required. It also clarifies the applicability of the amendments to IFRS 7 on offsetting financial assets and liabilities to condensed interim financial statements pursuant to IAS 34.
- **IAS 19 "Employee Benefits"** clarifies that the depth of the market for high-quality fixed-interest corporate bonds should be assessed at the level of the currency in which the bond is denominated. Where there is no liquid market for high-quality fixed-interest corporate bonds in this currency, the market yields on government bonds are to be applied.

The first-time application did not have any material impact on the consolidated financial statements of the Würth Group.

Published standards endorsed by the EU in the comitology procedure that are not yet effective

Standards issued but not yet effective at the date of issuance of the consolidated financial statements of the Würth Group are listed below. This listing of standards and interpretations includes those that the Würth Group reasonably expects to have an effect on disclosures in the notes, net assets, financial position and results of operations when applied at a future date. The Würth Group intends to adopt those standards as soon as they are mandatory.

In July 2014, the International Accounting Standards Board (IASB) published the finalized version of **IFRS 9 "Financial Instruments,"** which incorporates the results of all phases in the IFRS 9 project and replaces both IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9 "Financial Instruments". IFRS 9 is effective for the first time for fiscal years beginning on or after January 1, 2018. Earlier application of the final standard IFRS 9 (2014) is permitted at any time. Although the standard is to be applied with retroactive effect, no comparative information has to be provided. With only a few exceptions, the provisions governing hedge accounting are to be applied prospectively as a rule. The standard contains new provisions on classification and measurement, impairment and hedge accounting phases. The Würth Group intends to adopt the new standard on the prescribed date on which it enters into force. In the 2016 fiscal year, the Würth Group performed an evaluation of all three aspects of IFRS 9.

a) Classification and measurement
The Würth Group does not expect the application of the classification and measurement provisions set out in IFRS 9 to have any material impact on its statement of financial position or equity. It assumes that all financial assets held at fair value can still be measured at fair value. Loans and trade receivables are held to collect the contractual cash flows, which exclusively consist of principal and interest payments on the outstanding nominal amount. The Würth Group expects that these will still be stated at amortized cost in accordance with IFRS 9.

b) Impairment losses
The Würth Group does not expect the impairment losses on loans and trade receivables to have any material impact on its statement of financial position or equity.

c) Hedge accounting
The Würth Group is of the opinion that all hedges also meet the criteria set out in IFRS 9 for hedge accounting, meaning that there will not be any material impact on the annual financial statements of the Würth Group.

IFRS 15 "Revenue from Contracts with Customers" introduces a new five-step revenue recognition model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognize revenue at the time of the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The principles in IFRS 15 provide a structured approach for the measurement and reporting of revenue. The standard's scope of application covers all types of sectors and companies and thus replaces all existing provisions relating to revenue recognition (IAS 11 "Construction Contracts," IAS 18 "Revenue," IFRIC 13 "Customer Loyalty Programmes," IFRIC 15 "Agreements for the Construction of Real Estate," IFRIC 18 "Transfers of Assets from Customers" and SIC 31 "Revenue – Barter Transactions Involving Advertising Services"). The standard must be applied to reporting periods starting on or after January 1, 2018. Earlier adoption is permitted. The standard is to be applied either on a fully retrospective basis or on a modified retrospective basis. In the 2016 fiscal year, the Würth

Group performed a provisional evaluation of IFRS 15, concluding that it is unlikely to have any material impact on the consolidated financial statements. In addition, the Würth Group has taken into account the clarifications published by the IASB in April 2016 and will monitor further developments regarding the interpretation of IFRS 15. There is unlikely to be any impact recognized in profit or loss resulting from the changeover of contracts with customers as a result of the accounting under IFRS 15. The Würth Group expects the time of realization to be the time at which control over the asset passes to the customer. The presentation and disclosure provisions in IFRS 15 extend far beyond the provisions set out in the current standard. The new presentation provisions mark a significant change compared with current practice and will require the disclosure of considerably more data in the consolidated financial statements in the future. IFRS 15 calls for quantitative and qualitative information on the disaggregation of revenue, performance obligations and contract balances, as well as on significant discretionary decisions and capitalized contract costs. Many of these disclosures are new. In the 2016 fiscal year, the Würth Group developed or started to assess guidelines and procedures, as well as internal controls, in order to record and report the required information. The plan is to apply the modified retrospective approach at the time of initial application.

IFRS 16 "Leases" was published on January 13, 2016 and is mandatory, for the first time, for fiscal years beginning on or after January 1, 2019. The standard provides a single lessee accounting model. The model means that all assets and liabilities from leases have to be recognized by the lessee in the statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value (optional in each case). Lessors continue to classify leases as finance or operating leases for accounting purposes. In this respect, IFRS 16's approach to lessor accounting does not differ substantially from its predecessor, IAS 17. The standard is to be applied either on a fully retrospective basis or on a modified retrospective basis. The transitional provisions of IFRS 16 provide certain forms of transitional relief. The Würth Group intends to adopt the new standard on the prescribed date on which it enters into force. Based on an initial analysis, the effects set out below have been identified. The analysis has not yet been completed, however, and is updated by the Würth Group on an ongoing basis. To date, the Würth Group has largely concluded operating leases relating to movable assets and real estate. At the moment, the payment obligations for operating leases are only to be disclosed in the notes on the consolidated financial statements. In the future, however, the rights and obligations resulting from these leases will have to be reported in the statement of financial position, as a mandatory requirement, as an asset (right of use to the leased asset) and a liability (lease liability). The Würth Group expects this to increase its total assets at the time of initial application. In the income statement, the expenses associated with operating leases have been reported under "miscellaneous operating expenses" to date. In the future, amortization on the right of use and interest expenses for the lease liabilities will be reported instead. The plan is to apply the modified retrospective approach at the time of initial application.

Published standards not yet endorsed by the EU in the comitology procedure

The IASB has published the following standards and interpretations whose adoption was not yet mandatory in the 2016 fiscal year. These standards and interpretations have not yet been recognized by the EU and will be applied by the Würth Group as soon as they come into force. This listing of standards and interpretations includes only those that the Würth Group reasonably expects to have an effect on disclosures in the notes, net assets, financial position, and results of operations.

In connection with its Disclosure Initiative, the IASB published amendments to **IAS 7 "Statement of Cash Flows"** in January 2016. The amendments essentially relate to requirements for additional disclosures in the notes, the aim being to allow users of an entity's financial statements to evaluate changes in the entity's liabilities arising from financing activities. The amendments are mandatory, for the first time, for fiscal years beginning on or after January 1, 2017. Earlier adoption is permitted. Entities need not provide comparative information on previous periods when they first apply the amendments. This amendment is unlikely to have any material impact on the consolidated financial statements of the Würth Group.

The IASB published amendments to **IAS 12 "Income Taxes"** in January 2016. Specifically, the amendments relate to the recognition of deferred tax assets for unrealized losses. The amendments – "Recognition of Deferred Tax Assets for Unrealized Losses" – are designed to address various issues relating to the recognition of deferred tax assets for unrealized losses resulting from changes in the fair value of debt instruments, which are reported under other comprehensive income. The amendments to IAS 12 are effective for fiscal years beginning on or after January 1, 2017. Earlier adoption is permitted. The amendments to this standard are unlikely to have any material impact on the consolidated financial statements of the Würth Group.

C. Consolidated group

The consolidated financial statements of the Würth Group include parent companies at the same organizational level as well as all domestic and foreign entities in which the parent companies at the same organizational level hold a majority of the voting rights, either directly or indirectly, and thus have the possibility to exercise control over these entities. The parent companies – and hence the entire Würth Group – are subject to common control by the Central Managing Board. The consolidated group is therefore based on the Würth Group's uniform ownership, organizational and management structure, as only this presentation gives a true and fair view of the Würth Group. Determining the consolidated group in accordance with IAS 27 / IFRS 10 would not portray a true and fair value of the net assets, financial position and results of operations because transactions between the subgroups thereby created would not be presented fairly. In this case, the subgroups would provide an incomplete and misleading presentation of the economic and financial conditions of the Würth Group regarding practically every item of the consolidated financial statements.

Subsidiaries are fully consolidated as of their date of acquisition, being the date on which the Würth Group obtains control, and continue to be consolidated until the date that such control by the parent ceases.

The cost of subsidiaries and business operations acquired comprises the consideration transferred plus any non-controlling interests.

The major changes to the consolidated group in comparison to the prior year on account of acquisitions are as follows: As of April 1, 2016, Würth House of Threads, Inc., Delaware, USA acquired the business operations of House of Threads, Inc., Birmingham, USA. At the same time, Würth McAllen Bolt de Mexico S de R. L. de C. V., Reynosa, Mexico, acquired the business operations of House of Threads Mexico S. A. de C. V., Querétaro, Mexico. The family businesses distribute C parts for the manufacturing industry, as well as for customers in the steel and metalworking industry. The acquisition will strengthen Würth Industrie's position in the south-east of the US and give it access to the market in central Mexico. A purchase price of EUR 38.9 million was agreed upon for both businesses.

The purchase price was calculated as follows:

in millions of EUR	Fair value at acquisition date	Previous carrying amount
Assets		
Customer base	12.3	0.0
Other intangible assets	0.4	0.4
Other property, plant and equipment	0.5	0.5
Inventories	13.2	13.2
Trade receivables	4.7	4.7
Other assets	0.1	0.1
	31.2	**18.9**
Liabilities		
Trade payables	1.6	1.6
Liabilities to employees	0.5	0.5
Other liabilities	0.1	0.1
	2.2	**2.2**
Total identifiable net assets	**29.0**	**16.7**
Goodwill arising from the business combination	9.9	
Consideration transferred	**38.9**	
Transaction costs	1.1	
Net cash outflow	**40.0**	

The goodwill that is likely to be tax-deductible largely includes synergy effects relating mainly to sales and procurement. The intangible assets acquired were valued using income-based approaches.

Since the acquisition date, the companies have contributed EUR 29.0 million to sales. The net loss for the year came in at EUR 0.1 million. If the companies had already been acquired at the beginning of the year, then the sales for 2016 would have come to EUR 39.7 million and the net income for the year to EUR 0.2 million.

The following acquisitions were also made:
On January 29, 2016, the Würth Group acquired 100 % of the shares and voting rights in Erwin Büchele GmbH & Co. KG, Esslingen, Germany. The company develops, produces and distributes rod core chokes. The merger will allow the Electronics unit to further expand its position in the automotive segment. Büchele is to be continued within the Würth Elektronik Group. The purchase price was allocated on a provisional basis on the balance sheet date as not all aspects had been assessed with definitive effect.

On April 28, 2016, the Würth Group acquired 100 % of the shares and voting rights in Elektroskandia Polska Sp. z o. o., Poznan, Poland and Elektroskandia Baltics OÜ, Tallinn, Estonia. W.EG Slovensko s.r.o., Bratislava, Slovakia, also acquired the business operations of HAGARD: HAL, spol. s r.o., Nitra, Slovakia. The acquisition of these three companies will strengthen the Würth Group's electrical wholesale business in Central Europe. The acquisition resulted in a negative difference of EUR 19.5 million, which was eliminated and charged to the income statement.

in millions of EUR	Erwin Büchele GmbH & Co. KG	HAGARD: HAL, spol. s r.o.	Elektroskandia Polska Sp. z o. o.	Elektroskandia Baltics OÜ	Other	Total
Assets						
Franchises, industrial rights, licenses and similar rights	0.0	1.7	0.1	0.1	0.0	1.9
Goodwill	8.1	0.0	0.0	0.0	0.0	8.1
Customer relationships and similar assets	12.1	0.0	0.0	0.0	3.4	15.5
Other non-current assets	0.6	4.8	2.9	0.4	1.6	10.3
Financial assets	0.0	0.0	0.0	0.1	0.0	0.1
Inventories	2.0	4.9	7.5	2.5	0.5	17.4
Receivables and other assets	1.5	11.9	18.4	2.1	0.1	34.0
Cash and cash equivalents	0.1	0.2	2.5	0.9	0.3	4.0
	24.4	**23.5**	**31.4**	**6.1**	**5.9**	**91.3**
Equity and liabilities						
Deferred tax liabilities	3.6	0.0	2.6	0.0	1.0	7.2
Non-current liabilities	3.5	0.0	0.0	0.0	0.0	3.5
Current liabilities	0.5	11.6	17.5	2.1	0.4	32.1
	7.6	**11.6**	**20.1**	**2.1**	**1.4**	**42.8**
Purchase price	16.8	7.7	0.0	0.0	4.5	29.0
Consideration transferred	**16.8**	**7.7**	**0.0**	**0.0**	**4.5**	**29.0**
Negative difference	0.0	4.2	11.3	4.0	0.0	19.5
Pro rata sales	13.9	38.9	48.2	13.3	0.9	115.2
Share of profit / loss	0.9	– 0.6	– 0.9	– 0.7	– 0.2	– 1.5
Pro forma sales in 2016	14.9	55.8	67.6	17.5	2.4	158.2
Pro forma profit / loss in 2016	0.9	0.8	– 2.8	– 1.2	– 0.4	– 2.7

The goodwill that is likely to be tax-deductible largely includes synergy effects relating to sales and procurement. The carrying amount of the receivables and other assets corresponds to the fair value. In the 2016 fiscal year, expenses amounting to EUR 34.6 million (2015: EUR 2.5 million), resulting from the amortization, depreciation and impairment of assets identified in the course of purchase price allocation, were recognized in connection with business combinations from prior years.

In July 2016, the valuation of the customer base and brand of the Northern Safety Company, Inc. was completed. Based on this valuation, the fair value of the customer base at the time of acquisition came to EUR 38.2 million, EUR 11.8 million lower than the value that had been provisionally assumed. The brand revealed a fair value of EUR 22.1 million at the time of acquisition, EUR 9.1 million lower than the value that had been provisionally assumed. Deferred tax liabilities were reduced by EUR 8.2 million as a result. The assumed purchase price payment was also calculated with definitive effect. This resulted in a reduction of EUR 34.8 million. This means that, all in all, goodwill dropped by EUR 22.1 million so that the total goodwill arising from the business combination now comes to EUR 159.7 million.

In the 2016 fiscal year, the following company disposals were processed by the Würth Group.

On May 25, 2016, the Würth Group sold 100 % of the shares in Eichmann Elektrofachgroßhandel GmbH, Linz, Austria. The sale resulted in a cash inflow of EUR 0.0 million. In addition, 100 % of the shares in Würth Inter Werbung GmbH, Kissing, Germany were sold on September 15, 2016. The sale resulted in a cash inflow of EUR 2.5 million.

D. Consolidation principles

The consolidated financial statements are based on the financial statements of the parent companies and subsidiaries included in the Group as of December 31, 2016, which have been prepared according to uniform standards.

Acquisition accounting is performed using the acquisition method in accordance with IFRS 3 (revised). Accordingly, the consideration transferred to the seller plus any non-controlling interests and the fair value of the previously held equity interests in the acquiree are offset against the fair value of the acquired assets and liabilities as of the acquisition date. Any remaining credit differences are accounted for as goodwill. Any remaining debit differences are posted to profit or loss. Any contingent consideration is recognized at acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity. Business combinations achieved in stages where the Group already has control or disposals of shares without a loss of control are recognized directly in equity from fiscal year 2010 onwards.

In the case of business combinations achieved in stages that give rise to control over an entity, or in the case of disposals of shares that result in a loss of control, the previously held or remaining equity interests are remeasured at fair value through profit or loss. A change in the ownership interest of a subsidiary without involving the loss of control is accounted for as an equity transaction. Transactions under common control are recognized using the pooling-of-interest method. Under this method, any gains or losses on disposal lacking commercial substance are offset directly in equity in the reserves. The same accounting policies are used to determine the Group's share in equity of all companies accounted for using the equity method. Receivables and liabilities between the consolidated entities are netted. Intercompany profits in inventories and non-current assets are eliminated in the consolidated income statement. Intercompany sales and other intercompany income are netted against the corresponding expense. Deferred tax is recognized for consolidation transactions that are recognized in profit or loss.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the equity holders of the parent companies in the Group. Non-controlling interests are presented separately in the consolidated income statement and the consolidated statement of financial position. In the consolidated statement of financial position, non-controlling interests are disclosed in equity, separately from the equity attributable to the parent companies in the Group.

E. Foreign currency translation

In the separate financial statements of the entities, non-monetary and monetary items denominated in foreign currency are recognized at the rate prevailing when they were first recorded. Monetary items are translated at the exchange rate as of the reporting date. Any exchange rate gains generated and losses incurred as of the reporting date from the measurement of monetary assets and monetary liabilities denominated in foreign currency are recognized through profit or loss in finance revenue and finance costs respectively.

The functional currency method is used to translate the financial statements of foreign entities. In the consolidated financial statements, except for equity, the items of the statement of financial position of all foreign entities are translated to the euro at closing rates, as the significant Group entities included in the consolidated financial statements conduct their business independently in their local currency, which is the functional currency. Differences compared to the translation from the previous year are offset against reserves directly in equity (other comprehensive income). Goodwill is translated at the closing rate as an asset of foreign entities.

Income and expense items are translated using average rates. Differences compared to the closing rate are also recognized directly in equity.

The financial statements of the major subsidiaries in countries outside the European Monetary Union were translated to the euro using the following exchange rates:

	Average exchange rates for the fiscal year		Closing rates on the reporting date	
	2016	**2015**	**2016**	**2015**
1 US dollar	0.90381	0.90173	0.94769	0.91625
1 pound sterling	1.22465	1.37810	1.16482	1.35740
1 Canadian dollar	0.68299	0.70617	0.70309	0.65967
1 Australian dollar	0.67250	0.67726	0.68428	0.66997
1 Brazilian real	0.25983	0.27671	0.29119	0.23134
1 Chinese renminbi yuan	0.13600	0.14359	0.13648	0.14102
1 Danish krone	0.13431	0.13408	0.13451	0.13401
1 Norwegian krone	0.10772	0.11187	0.11004	0.10413
1 Polish zloty	0.22928	0.23924	0.22602	0.23431
1 Russian ruble	0.01367	0.01485	0.01547	0.01241
1 Swedish krona	0.10561	0.10693	0.10442	0.10891
1 Swiss franc	0.91729	0.93703	0.92997	0.92345
1 Czech koruna	0.03699	0.03668	0.03701	0.03701
1 Hungarian forint	0.00321	0.00323	0.00323	0.00317

F. Accounting policies

The Würth Group uses transaction date accounting. The financial statements of all consolidated companies have been prepared in line with uniform accounting policies for the Group (IFRS).

Goodwill arising from a business combination is initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

In accordance with IFRS 3.19, non-controlling interests are measured either based on the proportionate share of identifiable net assets of the acquiree (partial goodwill) or at fair value (full goodwill). This decision can be made on a transaction-by-transaction basis for each business combination and is not an accounting policy choice that determines the accounting treatment for all business combinations to be carried out by the Würth Group.

Recognized goodwill is tested for impairment on an annual basis and when there is any indication that it may be impaired. The impairment test for goodwill is effected at the level of the cash-generating unit. The cash-generating unit is defined as the legal entity, with the exception of Diffutherm and Dinol.

The impairment loss is determined by calculating the recoverable amount of the cash-generating unit to which goodwill relates. If the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recorded.

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a business combination is its acquisition-date fair value. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If this is not the case, the assessment is prospectively changed from an indefinite to a finite useful life.

Intangible assets with finite lives are amortized over their useful life using the straight-line method and tested for impairment whenever there is any indication that the intangible asset may be impaired. The useful life and the amortization method for an intangible asset with a finite useful life are reviewed at the latest at the end of each fiscal year. The necessary changes in the amortization method and the useful life are treated as changes to estimates. Amortization of intangible assets with a finite useful life is reported in the consolidated income statement under amortization and depreciation. Capitalized customer relationships, software, franchises and other licenses are amortized over a useful life of three to fifteen years.

Intangible assets with an indefinite useful life and intangible assets that are not ready for use are tested for impairment at least once a year. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be legitimate.

If all prerequisites of IAS 38.57 are met, internally generated intangible assets are reported at the amount of the directly attributable development costs incurred. Borrowing costs are capitalized. Capitalization ceases when the asset is finished and released. Pursuant to IAS 38.57 development costs may only be capitalized if an entity can demonstrate that all of the following six requirements are satisfied:

1. The technical feasibility of completing the asset so that it will be available for use or sale
2. The intention to complete the intangible asset and use or sell it
3. The ability to use or to sell the intangible asset
4. How the intangible asset will generate probable future economic benefits
5. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
6. The ability to measure reliably the expenditure attributable to the intangible asset during its development

The Würth Group estimated the customary useful life of the recognized internally generated intangible assets to be three years.

Costs of research and general development are immediately recorded as an expense in accordance with IAS 38.54.

Property, plant and equipment are stated at amortized cost. Repair costs are expensed immediately. Costs of conversion contain directly allocable costs (such as direct materials and labor) and fixed and variable production overheads (such as materials and production overheads) including appropriate depreciation of the production plant based on ordinary capacity utilization. Borrowing costs are capitalized provided the requirements for a qualifying asset are met. Except for land and land rights, property, plant and equipment are generally depreciated using the straight-line method unless a different depreciation method better reflects the pattern of consumption.

Depreciation is computed according to the following uniform group useful lives:

Buildings	25 – 40 years
Furniture and fixtures	3 – 10 years
Technical equipment and machines	5 – 15 years

An item of property, plant and equipment leased under a finance lease is recognized at fair value or the lower present value of the minimum lease payments and depreciated over the expected useful life or the contractual term, whichever is shorter. Payment obligations resulting from the lease payments are recorded as a liability at their present value.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary.

An item of property, plant and equipment or an intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognized.

An impairment test is performed at the end of the fiscal year for all intangible assets and property, plant and equipment if events or changes in circumstances indicate that the carrying amount of the assets exceeds their recoverable amount or if an annual impairment test is required. If the recoverable amount of the asset falls short of the carrying amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs necessary to make the sale. Value in use is the present value of estimated future cash flows expected to arise from the continued use of an asset and from its disposal at the end of its useful life. The recoverable amount is determined for each asset individually or, if that is not possible, for the cash-generating unit.

Impairment losses recognized for an asset in profit or loss in prior years are reversed when there is any indication that the impairment no longer exists or has decreased. Any reversal is posted to profit or loss. A reinstatement or reversal of the impairment loss recorded on an asset cannot, however, exceed the amortized cost that would have been recognized without the impairment. Impairment losses recognized on goodwill are not reversed.

Financial assets are divided into the following categories: (a) held-to-maturity financial assets, (b) financial assets at fair value through profit or loss, (c) available-for-sale financial assets, and (d) loans and receivables originated by the entity. Financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity, other than loans and receivables originated by the entity, are classified as held-to-maturity investments. Financial assets classified as "at fair value through profit or loss" are (i) financial assets that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or exchange rates or (ii) financial assets designated upon initial recognition as at fair value through profit or loss. All other financial assets apart from loans and receivables originated by the entity are classified as available-for-sale financial assets.

Held-to-maturity investments are disclosed under non-current assets unless they are due within twelve months of the reporting date. Financial assets held for trading are disclosed under current assets. This does not apply to derivatives that lead to payments in more than twelve months after the reporting date. They are disclosed under non-current financial assets or liabilities. Financial assets designated upon initial recognition as at fair value through profit or loss and available-for-sale financial assets are disclosed as current assets if management intends to sell them within twelve months of the end of the reporting period. They are recognized at the date when the Würth Group enters into a contract.

The initial recognition of a financial asset is at cost, which corresponds to the fair value of the consideration given. Transaction costs are included, except for financial assets designated upon initial recognition as at fair value through profit or loss or classified as held-for-trading.

Held-to-maturity investments are measured at amortized cost using the effective interest method. If it is likely that financial assets measured at amortized cost are impaired, the impairment loss is recognized in profit or loss. An impairment loss recorded previously as an expense is adjusted in profit or loss if the subsequent reversal of the impairment loss (or reduction in the impairment loss) can be objectively attributed to circumstances that arose after the original impairment loss.

A reversal of the impairment loss is, however, only recognized to the extent that it does not exceed the amortized cost that would have been recognized without the impairment.

Available-for-sale financial assets, financial assets that are classified as held for trading, and financial assets at fair value through profit or loss are subsequently measured at fair value on the basis of market prices as of the reporting date without deducting any transaction costs. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, discounted cash flow analysis or other valuation models.

Gains and losses from measurement of an available-for-sale financial asset at fair value are recognized directly in equity. Changes in the fair value of financial assets held for trading and financial assets at fair value through profit or loss are recognized in the net income or loss for the period.

Loans and receivables originated by the entity and not held for trading are recognized at amortized cost.

Any necessary impairment losses are recognized by deducting the amounts directly from the underlying receivables.

Derivative financial instruments are classified as held-for-trading financial assets / financial liabilities, unless they are included in hedge accounting as hedging instruments. The change in the fair value of the derivative financial instruments is recognized in the consolidated income statement. The fair value of open derivative financial instruments is disclosed under other assets / liabilities.

For hedge accounting purposes, hedging instruments are classed as cash flow hedges if they hedge the risk of fluctuations in cash flow that can be attributed to the risk associated with a recognized asset or liability. At the start of the hedge, both the hedging relationship and the risk management objectives and strategies of the Würth Group are formally defined and documented with regard to the hedge. The documentation stipulates the hedging instrument, the underlying transaction or the hedged transaction and the nature of the hedged risk, as well as a description of how the Würth Group determines the effectiveness of changes in the fair value of the hedging instrument in offsetting the risks from changes in the fair values or cash flows of the underlying transaction that can be traced back to the hedged risk. Such hedge relationships are deemed to be highly effective in terms of achieving compensation for the risks of changes in fair value or cash flows. They are assessed on an ongoing basis to check that they are, in fact, highly effective during the entire reporting period for which the hedging relationship was designated.

Fair value hedges

The change in the fair value of the hedging instrument is recognized as a financial result in the consolidated income statement. The change in the fair value of the underlying transaction that can be attributed to the hedged risk is recognized as part of the carrying amount of the hedged underlying transaction and is also recognized as a financial result in the consolidated income statement. If the underlying transaction is derecognized, then the fair value that has not yet been amortized is recognized in the income statement with immediate effect.

Cash flow hedges

The effective part of the profit or loss resulting from the hedging instrument is posted to other comprehensive income in the reserve for cash flow hedges, while the ineffective part is recognized in the income statement with immediate effect.

If a hedging instrument expires or is disposed of, is terminated or exercised, without being replaced by another hedging instrument, or if the designation as a hedge is revoked or the criteria for hedge accounting are no longer met, then the accumulated gains / losses recognized under other comprehensive income to date remain in equity as a separate item until the expected transaction occurs or the firm commitment in the foreign currency is fulfilled.

Receivables and liabilities from financial services contain all receivables and liabilities arising from the financial services business. Bank receivables and loans, as well as receivables or loans due from customers, are financial investments with fixed or determinable payments and fixed maturity that are not quoted in an active market. After initial recognition, receivables and liabilities from financial services are carried at amortized cost using the effective interest method less any allowance for impairment. Loans in the banking business are tested for impairment. The Würth Group sells receivables from financial services to factors in asset-backed commercial papers (ABCP) transactions. Notwithstanding the transfer of title to the receivables from financial services, these must continue to be recognized by the Würth Group where Group entities retain significant risks and rewards on a contractual basis.

Interest-free and low-interest **loans** are stated at present value.

Actual **income taxes** are calculated based on the taxable income in the fiscal year and in accordance with the national tax legislation. Additional tax payments / refunds that are expected, or have actually been made, for previous years are also included.

Deferred taxes result from temporary differences between the IFRS carrying amounts and the tax accounts of the individual entities (except for differences from goodwill arising on the acquisition of shares) and from consolidation entries. Deferred tax assets also include tax credits that result from the expected utilization of existing loss carryforwards in subsequent years. Deferred tax assets for recognition and measurement differences and for unused tax losses are only taken into account if they are expected to be realized. Deferred taxes are measured on the basis of the respective local income tax rates. Deferred tax assets and deferred tax liabilities are offset if a Group entity has a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity. Deferred taxes relating to items recognized directly in equity are also posted directly to other comprehensive income. Other deferred taxes are posted to the consolidated income statement.

Inventories are stated at costs of purchase or costs of conversion. Costs of conversion contain directly allocable costs (such as direct materials and labor) and fixed and variable production overheads (such as materials and production overheads) including appropriate depreciation of the production plant based on ordinary capacity utilization and, in the case of qualifying assets, borrowing costs.

The carrying amounts are calculated using the weighted average cost method.

Risks inherent in inventories from reduced saleability are accounted for by recognizing appropriate write-downs to the lower of cost or net realizable value.

Payments on account received from customers are recorded as liabilities.

Receivables and **other assets** are measured at amortized cost. Allowances are made for impairment based on individual risk estimates and past experience of recoverability. To determine specific allowances, financial assets that could potentially be impaired are grouped together by similar credit risk characteristics and collectively assessed for impairment. Impairment losses on trade receivables are recognized via a provision for impairment in some cases. The decision of whether to account for a credit risk by using a provision for impairment or by recognizing a loss directly on the receivable depends upon the ability to accurately assess the risk involved. On account of the different business fields and regional conditions, this assessment is at the discretion of the individuals in charge of the respective portfolios.

As a lessor, the Würth Group recognizes finance **lease assets** as receivables in the statement of financial position equal to the unsold net investment in the lease. Financial income is recognized to reflect a constant periodic rate of return on the lessor’s net investment outstanding. Initial direct costs are immediately expensed. Income on unsold contracts is recognized over the term of the lease. Leases that do not essentially transfer all the risks and rewards associated with ownership from the Würth Group to the lessee are classed as operating leases. Initial direct costs incurred during the negotiation and conclusion of an operating lease are added to the carrying amount of the leased asset and recorded as an expense during the term of the lease in the same way as leasing income. Conditional rental payments are recognized as income during the period in which they are generated.

Securities are classified as financial assets held for trading or designated upon acquisition as financial assets at fair value through profit or loss and marked to market on the reporting date. Highly liquid securities classified as current assets are securities due within three months from the date of acquisition. They are reported as short-term investments under cash and cash equivalents.

Cash and cash equivalents include cash, demand deposits and short-term investments (e.g. money market funds).

Assets classified as held for sale and liabilities in a group of assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

Non-controlling interests include non-controlling interests in share capital, in reserves and in retained earnings unless they qualify as liabilities as defined by IAS 32. If the latter is the case, they are disclosed under financial liabilities and changes in the fair value are recognized within the financial result.

Post-employment benefit obligations for defined benefit plans are calculated using the projected unit credit method. Future obligations are measured using actuarial methods. Taking account of dynamic components, the future benefit obligations are spread over the entire period of service. Actuarial calculations and estimates must be obtained for all benefit plans. Actuarial gains and losses for the defined benefit plan are recognized in full in other comprehensive income in the period in which they occur. Such actuarial gains and losses are also immediately recognized in revenue reserves and are not reclassified to profit or loss in subsequent periods.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds) and the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

In the case of defined contribution plans, the respective entity pays contributions to state or private pension companies either as required by law or on a voluntary basis. No further payment obligations arise for the company from the payment of contributions. The amounts are recognized in profit or loss in full.

Provisions are created for all legal or constructive obligations to third parties as of the reporting date that relate to past events, will probably lead to an outflow of resources in the future, and whose amount can be reliably estimated. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of the money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. In the discounting process, the increase in the provision reflecting the passage of time is recognized as finance costs. Reversals of provisions are posted against the expense items for which the provisions were set up.

When measuring **financial liabilities**, a distinction is made between
(a) financial liabilities held for trading, and
(b) other financial liabilities.

Derivative financial instruments are classified as held-for-trading financial liabilities and measured at fair value. However, an exception is made for derivatives related to non-listed equity instruments whose fair value cannot be reliably determined and that can only be settled through their delivery. These are measured at cost.

Other financial liabilities are measured at amortized cost using the effective interest rate method. This usually corresponds to the repayment or settlement value or, in the case of obligations similar to pension obligations, to the present value.
If non-controlling interests are classified as liabilities as defined by IAS 32, they are measured at fair value.

The Würth Group measures financial instruments and non-financial assets at **fair value** on every reporting date. The fair value is the price that would be paid, in the event of a due and proper transaction, between market participants on the calculation cut-off date for the sale of an asset / transfer of a liability. All assets and liabilities for which the fair value is calculated or is reported in the financial statements are allocated to the fair value hierarchy described below.
Level 1 – Prices listed on active markets for identical assets and liabilities
Level 2 – Valuation procedures in which the lowest level input parameter that is relevant to valuation at fair value as a whole can be directly or indirectly observed on the market
Level 3 – Valuation procedures in which the lowest level input parameter that is relevant to valuation at fair value as a whole cannot be observed on the market

Financial guarantee contracts issued by the Würth Group are those contracts that require a payment to be made to reimburse the holder for a loss incurred because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. These financial guarantee contracts are treated as insurance contracts as defined by IFRS 4, i.e., the financial guarantee contracts are presented as contingent liabilities until utilization becomes probable. When this is the case, the corresponding obligation is recognized.

Sales are recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the level of sales can be measured reliably. Sales are recorded net of general VAT and any price reductions and quantity discounts when delivery has taken place and the risks and rewards incidental to ownership have been transferred in full.

Revenue from financial services is recognized when it is realized or realizable and earned. Interest from interest-bearing assets and liabilities is recognized proportionately over the term of the assets or liabilities concerned using the effective interest method and taking into account any deferred charges and fees as well as premiums or discounts. Commission is recognized when there is sufficient evidence that an agreement exists, the performance has been rendered, the fee or commission has been fixed, and collectability is sufficiently certain.

Lease payments under an operating lease are recognized as an expense in the consolidated income statement on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the benefit for the entity as lessee. A lease is classified as an operating lease if the lease does not transfer substantially all risks and rewards incidental to ownership to the entity.

Finance leases with the Würth Group as lessee, which essentially transfer all the risks and rewards associated with ownership of the leased asset to the Würth Group, are capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the income statement. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Würth Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional provisions of IFRIC 4.

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attached to the grant and that the entity will in fact receive it. Government grants are recognized in profit or loss as scheduled in line with the related expenses that are subsidized by said grants. If grants are issued for the purchase of property, plant or equipment, the grants are treated as a reduction of the cost of those assets.

Contingent liabilities are possible or present obligations arising from past events which are not likely to result in an outflow of resources and are thus not recorded in the statement of financial position. The amounts stated correspond to the potential liability as of the reporting date.

Subsequent events that provide additional information about the situation after the reporting date are reflected in the statement of financial position. Subsequent events that do not result in any adjustments are reported in the notes where material.

G. Notes on the consolidated income statement

[1] Sales

in millions of EUR	2016	2015
Revenue from the sale of goods and services	11,734.2	10,940.5
Revenue from financial services	102.0	106.3
Total	**11,836.2**	**11,046.8**

Revenue from financial services primarily contains interest income of EUR 33.5 million (2015: EUR 37.2 million), similar income of EUR 11.1 million (2015: EUR 10.0 million) and commission income of EUR 10.7 million (2015: EUR 14.6 million) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany. It also includes income from the leasing business.

Revenue from the sale of goods and services contains revenue from services of EUR 84.8 million (2015: EUR 80.2 million).

[2] Cost of materials

in millions of EUR	2016	2015
Cost of materials and supplies and of purchased merchandise	5,588.8	5,204.6
Cost of purchased services	224.4	218.8
Total	**5,813.2**	**5,423.4**

[3] Cost of financial services

The cost of financial services primarily contains interest expenses of EUR 7.8 million (2015: EUR 10.6 million) and commission of EUR 4.9 million (2015: EUR 6.6 million) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany. This item also contains EUR 0.5 million (2015: EUR 3.0 million) from the external business of the companies specializing in leases.

[4] Other operating income

Other operating income principally includes income from the sale of other goods and services as well as income from the disposal of assets. The year-on-year decrease of EUR 43.6 million is mainly due to insurance settlements received in 2015 in connection with fire damage in the Electronics unit.

[5] Personnel expenses and number of employees

Personnel expenses

in millions of EUR	2016	2015
Wages and salaries	2,676.8	2,520.3
Social security	355.5	332.6
Pension and other benefit costs	248.9	239.1
Total	**3,281.2**	**3,092.0**

Number of employees as of the reporting date

	2016	2015
Würth Line Germany	7,890	7,627
Allied Companies Germany	13,807	13,518
Würth Group Germany	21,697	21,145
Würth Group International	49,694	47,833
Würth Group total	**71,391**	**68,978**
Thereof		
Sales staff	31,498	31,080
In-house staff	39,893	37,898

The average headcount of the Würth Group totaled 70,553 in the reporting period (2015: 68,009).

[6] Other operating expenses

Other operating expenses mainly include selling, administration and operating expenses, bad debts and other taxes.

Other operating expenses also include impairment of receivables from the banking business of EUR 3.5 million (2015: EUR 8.5 million).

[7] Finance revenue / finance costs

in millions of EUR	2016	2015
Other interest and similar income	44.9	39.5
Interest and similar expenses	86.4	90.3
Net interest cost from pension plans	5.0	4.7
Total financial result	**46.5**	**55.5**
Thereof from financial instruments under the IAS 39 measurement categories:		
Financial assets held for trading (FAHfT)	32.3	9.4
Financial assets (designated as) at fair value through profit or loss (FAFVtpl)	1.2	1.2
Loans and receivables (LaR)	11.3	20.1
Financial liabilities held for trading (FLHfT)	– 27.1	– 19.3
Financial liabilities at amortized cost (FLAC)	– 59.2	– 62.2

Income from the translation of foreign currency items amounted to EUR 8.5 million in 2016.
In the previous year, the translation of foreign currency items resulted in expenses of EUR 8.9 million.

The net gains or losses from financial assets / liabilities held for trading include the net gains or losses from changes in fair value as well as interest income and expenses from these financial instruments. The net gains or losses from loans and receivables chiefly include the effects of impairments and reversals of impairment losses.

[8] Earnings before taxes – reconciliation to the operating result of the Würth Group*

in millions of EUR	2016	2015
Earnings before taxes	596.9	516.0
Impairment losses for goodwill and brands	31.0	3.4
Measurement of the interests as defined by IAS 32	5.1	3.5
Elimination and charging to the income statement of negative difference from initial consolidation	– 19.5	0.0
Other	1.8	2.1
Operating result	**615.3**	**525.0**

*Not part of the consolidated financial statements in accordance with IFRS

[9] Income taxes

in millions of EUR	2016	2015
Income taxes	158.6	92.6
Deferred tax income		
Deferred tax income from unused tax losses	55.3	34.9
Other deferred tax income	75.0	52.4
Deferred tax expense		
Deferred tax expense from unused tax losses	53.5	34.4
Other deferred tax expenses	52.8	42.1
Total	**134.6**	**81.8**

Income taxes include corporate income tax (including solidarity surcharge) and trade tax of German entities and comparable income taxes of foreign entities.

A reconciliation from the theoretical to the current tax rate for the Würth Group is shown below:

in millions of EUR	2016	2015
Earnings before taxes	596.9	516.0
Theoretical tax rate as a %	16.9	18.3
Theoretical tax expense	**100.9**	**94.4**
Changes in theoretical tax expense due to:		
Unrecognized tax losses of the current fiscal year	20.1	15.3
Recognition of unused tax losses from prior periods	– 10.9	– 1.0
Use of unused tax losses written down in prior years	– 9.9	– 2.1
Write-down on recognized unused tax losses from prior years	9.4	0.6
Write-down on temporary differences	1.5	– 1.7
Different tax rates	– 0.7	2.0
Tax reductions due to tax-free items	– 2.2	– 2.2
Tax increases due to non-deductible expenses	7.1	5.3
Income tax expense that cannot be derived from earnings before taxes	2.3	0.7
Non-tax-deductible amortization of goodwill and other intangible assets	6.2	0.4
Taxes relating to other periods	10.0	– 28.7
Other	0.8	– 1.2
Income taxes	**134.6**	**81.8**
Effective tax rate as a %	**22.5**	**15.9**

The theoretical tax rate is based on the weighted average tax rate of all consolidated entities. Changes in income taxes were mostly attributable to tax losses from the current fiscal year if it was not reasonably certain that they could be used in subsequent periods. Deferred tax assets were not recognized in such cases. Furthermore, there were additional tax payments relating to other periods and a contrary effect resulting from changes in the assessment of the usability of unused tax losses.

H. Notes on the consolidated statement of financial position

[10] Intangible assets including goodwill

in millions of EUR	Franchises, industrial rights, licenses and similar rights	Internally generated intangible assets	Customer relationships and similar assets	Goodwill	Payments on account	Total
Cost						
January 1, 2016	366.6	84.5	281.7	490.2	9.0	1,232.0
Exchange differences	2.4	0.1	3.3	10.3	0.0	16.1
Changes in the consolidated group	– 6.7	0.0	15.9	– 4.1	0.0	5.1
Additions	30.3	2.6	0.5	0.0	6.9	40.3
Disposals	6.3	0.6	0.9	0.5	0.3	8.6
Reclassifications to “Assets classified as held for sale”	– 1.3	0.0	– 1.5	0.0	– 0.1	– 2.9
Reclassifications	11.0	1.1	0.9	0.0	– 6.3	6.7
December 31, 2016	**396.0**	**87.7**	**299.9**	**495.9**	**9.2**	**1,288.7**
Accumulated depreciation and impairment						
January 1, 2016	220.8	64.3	147.2	191.2	0.1	623.6
Exchange differences	1.0	0.1	0.4	3.4	0.0	4.9
Amortization and depreciation	30.5	7.2	14.4	0.0	0.0	52.1
Impairment losses	6.0	0.0	3.6	25.0	0.0	34.6
Disposals	5.4	0.4	0.9	0.5	0.0	7.2
Reclassifications to “Assets classified as held for sale”	– 1.3	0.0	– 1.5	0.0	– 0.1	– 2.9
Reclassifications	– 0.1	0.0	0.0	0.0	0.0	– 0.1
December 31, 2016	**251.5**	**71.2**	**163.2**	**219.1**	**0.0**	**705.0**
Net carrying amount						
December 31, 2016	**144.5**	**16.5**	**136.7**	**276.8**	**9.2**	**583.7**

in millions of EUR	Franchises, industrial rights, licenses and similar rights	Internally generated intangible assets	Customer relationships and similar assets	Goodwill	Payments on account	Total
Cost						
January 1, 2015	268.0	77.2	185.0	247.3	4.9	782.4
Exchange differences	2.5	0.9	1.1	4.6	0.0	9.1
Changes in the consolidated group	74.5	0.0	96.5	238.3	0.1	409.4
Additions	23.0	4.6	0.2	0.0	6.0	33.8
Disposals	3.3	1.5	1.1	0.0	0.2	6.1
Reversal of impairment losses	0.1	0.0	0.0	0.0	0.0	0.1
Reclassifications	1.8	3.3	0.0	0.0	– 1.8	3.3
December 31, 2015	**366.6**	**84.5**	**281.7**	**490.2**	**9.0**	**1,232.0**
Accumulated depreciation and impairment						
January 1, 2015	194.0	57.6	135.6	184.1	0.1	571.4
Exchange differences	2.4	0.9	0.4	3.7	0.0	7.4
Amortization and depreciation	27.3	6.7	9.4	0.0	0.0	43.4
Impairment losses	0.0	0.0	2.5	3.4	0.0	5.9
Disposals	2.9	0.9	0.7	0.0	0.0	4.5
December 31, 2015	**220.8**	**64.3**	**147.2**	**191.2**	**0.1**	**623.6**
Net carrying amount						
December 31, 2015	**145.8**	**20.2**	**134.5**	**299.0**	**8.9**	**608.4**

Research and development costs (including amortization of capitalized development costs) recognized as expenses totaled EUR 7.2 million (2015: EUR 6.8 million).

Goodwill contains amounts from asset deals as well as from share deals.

Goodwill is tested for impairment annually. The test is based on estimated future cash flows derived from the business plan.

The impairment losses in the 2016 fiscal year relate to franchises, industrial rights, licenses and similar rights in the amount of EUR 6.0 million (2015: EUR 0.0 million), to customer relationships and similar assets in the amount of EUR 3.6 million (2015: EUR 2.5 million) and to goodwill in the amount of EUR 25.0 million (2015: EUR 3.4 million). These were largely required at companies whose previous plans for the reporting year were adjusted to reflect changes in expectations regarding future demand development. Goodwill was regularly tested for impairment in accordance with IAS 36 in the 2016 fiscal year. These impairment tests were based on the net selling price and conducted at the level of the smallest cash-generating unit.

The impairment losses were recognized under amortization and depreciation.

The table below provides a summary of the tested goodwill and the assumptions underlying the impairment tests:

2016 in millions of EUR	Northern Safety Company, Inc.	PARAVAN GmbH	MEF S.r.l.	Tunap	HSR / Indunorm	Chemofast Anchoring GmbH	Lichtzentrale Thurner GmbH	Wurth Des Moines Bolt Inc.	Diffutherm / Dinol	Other	Total
Goodwill before impairment test	159.7	22.9	17.6	9.2	9.1	8.7	6.8	6.4	6.2	48.3	294.9
Exchange difference	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.5	6.9
Impairment losses	0.0	0.0	17.6	0.0	0.0	0.0	0.0	0.0	6.2	1.2	25.0
Goodwill	165.9	22.9	0.0	9.2	9.1	8.7	6.8	6.6	0.0	47.6	276.8
Average sales growth in the planning period (%)	11.2	29.4	4.6	7.9	5.8	5.7	5.5	10.0	7.3	3.0-16.7	
EBIT margin in the planning period (%)	5.8-9.3	5.5-33.0	2.1-2.3	7.5-9.4	5.2-5.7	5.0-6.2	2.7-3.1	8.2-17.3	2.7-3.8	0.9-18.2	
Length of the planning period	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	
Sales growth p. a. after the end of the planning period (%)	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
EBIT margin after the end of the planning period (%)	9.9	34.3	2.5	9.4	5.2	8.6	3.1	13.7	6.0	2.6-18.2	
Discount rate	11.1	9.4	13.8	8.1	8.2	8.1	9.8	11.7	7.9	7.6-12.4	
Additional impairment losses											
assuming a 10% lower cash flow	21.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4	
assuming a 1% higher discount rate	37.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4	

2015 in millions of EUR	Northern Safety Company, Inc.	PARAVAN GmbH	MEF S.r.l.	Tunap	HSR / Indunorm	Chemofast Anchoring GmbH	Lichtzentrale Thurner GmbH	Wurth Des Moines Bolt Inc.	Diffutherm / Dinol	Other	Total
Goodwill before impairment test	181.7	22.9	17.6	9.2	9.1	8.7	6.8	6.4	6.2	32.9	301.5
Exchange difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.9
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4	3.4
Goodwill	181.7	22.9	17.6	9.2	9.1	8.7	6.8	6.4	6.2	30.4	299.0
Average sales growth in the planning period (%)	7.1	31.3	6.4	4.2	6.5	6.6	5.0	10.0	8.7	–1.4-13.0	
EBIT margin in the planning period (%)	4.9-8.2	–1.7-21.4	1.6-2.0	6.5-8.2	5.2-5.7	7.2-8.0	2.3-3.1	10.8-15.7	5.2-6.7	0.5-22.4	
Length of the planning period	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	
Sales growth p. a. after the end of the planning period (%)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
EBIT margin after the end of the planning period (%)	8.2	21.4	2.0	8.2	5.7	7.2	3.1	15.7	6.7	2.6-22.4	
Discount rate	12.8	10.6	15.9	9.8	9.7	9.8	9.7	13.0	9.6	8.9-34.6	
Additional impairment losses											
assuming a 10% lower cash flow	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	5.9	0.0	
assuming a 1% higher discount rate	0.0	0.0	0.0	0.0	0.0	2.1	0.0	0.0	6.2	0.0	

The assumptions underlying the calculation of the net selling price are most sensitive to estimation uncertainties regarding sales growth, EBIT margins and the discount rates used.

The assumptions concerning sales growth and EBIT margins used for the impairment tests in the planning period are based on internal records of past experience and assumptions by management used in the business plans valid as of the reporting date.

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rate was estimated based on the weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessments of any risks specific to the cash-generating units for which future estimates of cash flows have not been adjusted.

With regard to the assessment of value in use of the cash-generating units, management believes that – with the exception of those cash-generating units where impairment losses were recognized – no reasonably possible change in any of the above key assumptions made to determine the net selling price would cause the carrying amount of the cash-generating unit to materially exceed its recoverable amount.

[11] Property, plant and equipment

in millions of EUR	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machines	Other equipment, furniture and fixtures	Payments on account and assets under construction	Total
Cost					
January 1, 2016	2,365.2	912.4	1,751.7	172.0	5,201.3
Exchange differences	8.5	3.6	4.8	2.0	18.9
Changes in the consolidated group	6.9	1.3	1.5	0.8	10.5
Additions	63.6	59.4	156.2	160.6	439.8
Disposals	10.8	31.1	76.2	1.3	119.4
Reclassifications to “Assets classified as held for sale”	– 4.0	– 14.1	– 10.7	– 0.4	– 29.2
Reclassifications	83.2	64.3	13.1	– 167.4	– 6.8
December 31, 2016	**2,512.6**	**995.8**	**1,840.4**	**166.3**	**5,515.1**
Accumulated depreciation and impairment					
January 1, 2016	883.5	608.6	975.7	0.1	2,467.9
Exchange differences	0.7	2.5	2.5	0.0	5.7
Amortization and depreciation	68.5	62.2	127.2	0.0	257.9
Disposals	4.3	28.6	65.2	0.0	98.1
Reclassifications to “Assets classified as held for sale”	– 4.0	– 13.1	– 9.4	0.0	– 26.5
Reclassifications	0.3	0.1	– 0.3	0.0	0.1
Reversal of impairment losses	0.0	0.0	1.4	0.0	1.4
December 31, 2016	**944.7**	**631.7**	**1,029.1**	**0.1**	**2,605.6**
Net carrying amount					
December 31, 2016	**1,567.9**	**364.1**	**811.3**	**166.2**	**2,909.5**

in millions of EUR	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machines	Other equipment, furniture and fixtures	Payments on account and assets under construction	Total
Cost					
January 1, 2015	2,253.9	794.9	1,629.8	132.3	4,810.9
Exchange differences	15.5	8.1	13.8	– 0.2	37.2
Changes in the consolidated group	11.8	1.9	13.1	8.3	35.1
Additions	53.1	79.8	169.8	184.8	487.5
Disposals	22.4	29.8	104.0	9.8	166.0
Reclassifications	53.3	57.5	29.2	– 143.4	– 3.4
December 31, 2015	**2,365.2**	**912.4**	**1,751.7**	**172.0**	**5,201.3**
Accumulated depreciation and impairment					
January 1, 2015	840.1	542.3	920.4	0.1	2,302.9
Exchange differences	6.3	7.0	11.1	0.0	24.4
Amortization and depreciation	65.1	54.1	117.6	0.0	236.8
Impairment losses	10.5	35.0	0.0	0.0	45.5
Disposals	38.5	28.6	70.9	0.0	138.0
Reclassifications	0.0	1.3	– 1.3	0.0	0.0
Reversal of impairment losses	0.0	2.5	1.2	0.0	3.7
December 31, 2015	**883.5**	**608.6**	**975.7**	**0.1**	**2,467.9**
Net carrying amount					
December 31, 2015	**1,481.7**	**303.8**	**776.0**	**171.9**	**2,733.4**

In the 2015 fiscal year, an impairment loss of EUR 45.5 million was recognized mainly in the Electronics unit. The recoverable amount was calculated as the fair value less costs to sell, applying a discount rate of 8.3 % based on the current business plans.

There are restrictions on the rights of disposal of property, plant and equipment and assets assigned as collateral, which can be broken down as follows:

in millions of EUR	2016	2015
Land charges	14.8	16.2
Collateral assignment	10.9	5.6
Total	**25.7**	**21.8**

There are payment obligations for investments in fixed assets of EUR 42.0 million (2015: EUR 19.1 million).

Payments on account and assets under construction contain assets under construction of EUR 118.3 million (2015: EUR 133.5 million) which relate to technical equipment and machines as well as buildings.

[12] Financial assets

The investments disclosed under financial assets belong to the available-for-sale category. They are generally measured at fair value without any effect on profit or loss. There were no adjustments to fair value in fiscal year 2016 which would require unrealized gains and losses to be recognized in equity. Where fair value could not be determined because there was no active market or suitable valuation technique, the investment was measured at amortized cost. This item also includes held-to-maturity investments, which are accounted for at amortized cost. Fair values that could not be determined on the basis of observable market data of EUR 16.2 million (2015: EUR 15.4 million) relate to long-term interests in non-listed corporations and partnerships.

Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany, provided securities with a carrying amount of EUR 0.0 million (2015: EUR 15.0 million) as collateral for loans granted by L-Bank, Karlsruhe, Germany. The maximum credit risk is the amount carried in the statement of financial position.

[13] Receivables from financial services

in millions of EUR	2016	Thereof due within one year	2015	Thereof due within one year
Receivables from the leasing business	343.1	108.2	333.0	128.8
Receivables from the insurance business	1.5	1.5	1.9	1.9
Receivables from the banking business				
Receivables from customers	967.0	431.4	1,045.0	544.7
Receivables from banks	22.0	22.0	58.0	58.0
Other asset items	5.4	5.4	2.1	2.1
Total	**1,339.0**	**568.5**	**1,440.0**	**735.5**

Receivables from financial services include receivables from related parties of EUR 16.9 million (2015: EUR 16.9 million).

The Würth Group regularly sells receivables from financial services arising from the external leasing business in the form of ABCP transactions. As of December 31, 2016, factored receivables from financial services of EUR 88.2 million (2015: EUR 94.6 million) were not derecognized from the consolidated statement of financial position because all the risks and rewards incidental to ownership were essentially retained by the Würth Group. The corresponding liability is disclosed under (24) "Liabilities from financial services."

Of the receivables from financial services, an amount of EUR 0.0 million (2015: EUR 1.7 million) has been pledged as collateral for refinancing at Deutsche Bundesbank, Frankfurt am Main, Germany, and EUR 0.0 million (2015: EUR 29.3 million) as collateral for a global loan at L-Bank, Karlsruhe, Germany.

The following table provides information on the extent of the credit risk included in receivables from financial services.

in millions of EUR	2016	2015
Receivables from financial services that are neither past due nor impaired	1,296.2	1,405.4
Receivables not impaired but past due by		
less than 120 days	28.2	18.6
between 120 and 179 days	0.8	0.3
between 180 and 359 days	0.4	0.3
more than 360 days	1.0	0.9
Total receivables not impaired	**1,326.6**	**1,425.5**
Impaired receivables from financial services (gross)	36.7	37.5
Impairment loss recognized on receivables from financial services	24.3	23.0
Net carrying amount	**1,339.0**	**1,440.0**

With respect to the receivables from financial services that were neither impaired nor past due, there was no indication as of the reporting date that the debtors would not meet their payment obligations.

Most of the receivables that are past due but not impaired are secured.

Movements in the provision for impairment of receivables from financial services were as follows:

in millions of EUR	2016	2015
Provision for impairment as of January 1, 2016	**23.0**	**32.8**
Amounts recognized as income (–) or expense (+) in the reporting period	6.0	9.5
Derecognition of receivables	– 4.7	– 17.0
Payments received and recoveries of amounts previously written off	0.0	– 2.5
Currency translation effects	0.0	0.2
Provision for impairment as of December 31, 2016	**24.3**	**23.0**

The income or expense from impairment losses and the derecognition of receivables from financial services is disclosed under other operating expenses.

[14] Deferred taxes

Deferred tax assets and liabilities can be allocated as follows:

in millions of EUR	Deferred tax assets **2016**	Deferred tax liabilities **2016**	Deferred tax assets **2015**	Deferred tax liabilities **2015**	Change **2016**	Change **2015**
Non-current assets	73.9	88.5	59.1	94.6	20.9	– 42.4
Inventories	54.1	36.8	48.3	33.0	2.0	6.6
Receivables	17.0	2.8	16.8	5.2	2.6	0.6
Other assets	15.9	45.9	27.5	54.5	– 3.0	– 1.5
Provisions	70.7	20.9	59.5	21.4	11.7	3.5
Liabilities	13.5	6.4	13.0	4.8	– 1.1	1.9
Other liabilities	10.4	57.8	10.6	50.1	– 7.9	– 0.5
	255.5	**259.1**	**234.8**	**263.6**	**25.2**	**– 31.8**
Unused tax losses	25.3		24.4		0.9	0.4
Netting	– 128.6	– 128.6	– 122.4	– 122.4		
Total	**152.2**	**130.5**	**136.8**	**141.2**	**26.1**	**– 31.4**

The development of timing differences is fully reflected in income taxes. One exception relates to foreign exchange differences of EUR – 9.3 million (2015: EUR – 4.0 million), which were recognized directly in equity, and additions of deferred taxes of EUR 0.9 million (2015: EUR 44.9 million) arising from new acquisitions, as well as deferred taxes on items recorded in equity that were also recognized directly in other comprehensive income in the amount of EUR 10.5 million (2015: EUR 11.3 million).

There are deferred tax assets totaling EUR 19.6 million (2015: EUR 23.0 million) at entities that have a history of losses.

Deferred tax assets of EUR 10.9 million (2015: EUR 1.0 million) were recorded subsequently in fiscal year 2016 on unused tax losses of EUR 40.3 million (2015: EUR 12.0 million), as it is considered probable by the management that they will be used in the Würth Group in the future.

Deferred tax assets of EUR 128.6 million in total (2015: EUR 136.8 million) were recognized on unused tax losses.

No deferred tax assets were recognized for unused tax losses of EUR 599.1 million (2015: EUR 562.0 million) as it is not sufficiently probable that they will be realized.

These unused tax losses are classified by expiration period as follows:

in millions of EUR	**2016**	**2015**
Expiration of unused tax losses		
Non-forfeitable	345.1	363.3
Expiration within the next five to ten years	50.9	45.2
Expiration within the next one to five years	131.0	105.4
Expiration within the next year	72.1	48.1
Total unused tax losses net of deferred tax assets recognized	**599.1**	**562.0**

The unused tax losses include unused tax losses of EUR 1.5 million (2015: EUR 1.5 million) that originated prior to creation of the consolidated tax group and that cannot be used until the existing profit and loss transfer agreements have been terminated.

No deferred taxes were recognized for accumulated profits and losses of foreign subsidiaries of EUR 605.8 million (2015: EUR 593.1 million). If deferred taxes had been recognized for these timing differences, they would have had to be calculated exclusively using the withholding tax rate applicable in each case, possibly including the German tax rate of 5 % on distributed dividends. The calculation of these unrecognized deferred tax liabilities would have been unreasonably time-consuming.

Future distributions to the owners do not have any other income tax implications for the Würth Group.

[15] Inventories

in millions of EUR	**2016**	**2015**
Materials and supplies	92.3	86.3
Work in process and finished goods	169.0	165.1
Merchandise	1,427.3	1,392.4
Payments on account	9.9	9.6
Total	**1,698.5**	**1,653.4**

The write-down recorded on inventories, which was recognized under cost of materials in the consolidated income statement, amounts to EUR 26.3 million (2015: EUR 8.8 million).

[16] Trade receivables

This item exclusively comprises receivables from third parties.

in millions of EUR	2016	2015
Trade receivables that are neither past due nor impaired	765.7	663.8
Receivables not impaired but past due by		
less than 120 days	252.4	263.1
between 120 and 179 days	2.0	2.2
between 180 and 359 days	0.8	1.1
more than 360 days	0.1	0.6
Total receivables not impaired	1,021.0	930.8
Impaired trade receivables (gross)	711.2	648.9
Provision for impairment of trade receivables	156.7	152.5
Net carrying amount	**1,575.5**	**1,427.2**

With respect to the trade receivables that were neither impaired nor past due, there was no indication as of the reporting date that the debtors would not meet their payment obligations.

Where possible and feasible, we take out credit insurance.

Movements in the provision for impairment of trade receivables were as follows:

in millions of EUR	2016	2015
Provision for impairment as of January 1, 2016	152.5	141.3
Changes in the consolidated group	2.7	7.4
Amounts recognized as income (–) or expense (+) in the reporting period	30.6	28.6
Derecognition of receivables	– 28.2	– 23.9
Payments received and recoveries of amounts previously written off	– 1.5	– 1.4
Currency translation effects	0.9	0.5
Less impairment losses recognized on assets classified as held for sale	0.3	0.0
Provision for impairment as of December 31, 2016	**156.7**	**152.5**

The following table presents the expenses from the derecognition of trade receivables and income from recoveries of amounts previously written off:

in millions of EUR	2016	2015
Expenses from the derecognition of receivables	38.2	32.7
Income from recoveries of amounts previously written off	2.7	2.8

The income or expense from impairment losses and the derecognition of trade receivables is disclosed under other operating expenses.

[17] Income tax receivables

This item records income tax receivables from tax authorities.

[18] Other financial assets

in millions of EUR	2016	Thereof due within one year	2015	Thereof due within one year
Receivables from related parties	20.6	10.1	47.1	33.1
Derivative financial assets	13.1	13.1	14.7	14.7
Sundry financial assets	118.0	117.9	106.4	106.4
Total	**151.7**	**141.1**	**168.2**	**154.2**

Sundry financial assets mainly include supplier discounts and bonuses. All other past due financial assets are directly written off against the underlying other financial assets.

The receivables from related parties include the purchase price receivable of EUR 14.0 million (2015: EUR 17.3 million) from the sale of Freie Schule Anne-Sophie to the Würth Foundation, Künzelsau, Germany. The receivable is subject to customary market interest rates.

[19] Other assets

in millions of EUR	2016	Thereof due within one year	2015	Thereof due within one year
Sundry assets	128.6	97.6	136.0	107.3
Prepaid expenses	55.4	55.4	50.6	50.6
Total	**184.0**	**153.0**	**186.6**	**157.9**

Sundry assets mainly include VAT receivables and customs duties paid in advance. Prepaid expenses mainly relate to prepaid insurance premiums and prepaid lease and rent payments.

Impairment losses were recognized on all other assets that were past due.

[20] Securities

On the one hand, the securities are investments in shares and bonds that are not actively traded, but managed at fair value on account of internal management and performance evaluations as well as in accordance with a documented risk management and investment strategy. Changes in value are determined by reference to comparable market values (level 2). Income from changes in value amounted to EUR 1.3 million in the fiscal year (2015: EUR 0.2 million). A total amount of EUR 10.6 million (2015: EUR 9.3 million) has been recognized in profit or loss since the instruments were designated as financial assets at fair value through profit or loss. On the other hand, securities include actively traded shares and bonds that are grouped as available-for-sale financial assets. There were no changes in value in fiscal year 2016. Of the securities, an amount of EUR 61.6 million (2015: EUR 66.3 million) was pledged as collateral for the credit line granted for refinancing purposes by Deutsche Bundesbank, Frankfurt am Main, Germany. The maximum credit risk corresponds to the fair value recognized.

[21] Cash and cash equivalents

Balances denominated in foreign currency are measured at the closing rate. The composition and development of cash and cash equivalents is presented in the consolidated statement of cash flows. The money market funds were valued at the current money market rate.

[22] Assets classified as held for sale and liabilities in a group of assets classified as held for sale

Assets in millions of EUR	2016	2015
Non-current assets		
Property, plant and equipment	2.8	0.0
Deferred taxes	1.2	0.0
Current assets		
Inventories	10.4	0.0
Trade receivables	4.4	0.0
Other financial assets	2.5	0.0
Other assets	0.8	0.0
Cash and cash equivalents	0.1	0.0
Assets classified as held for sale	**22.2**	**0.0**

Liabilities in millions of EUR	2016	2015
Non-current liabilities		
Obligations from post-employment benefits	0.7	0.0
Provisions	4.3	0.0
Current liabilities		
Trade payables	5.0	0.0
Provisions	3.0	0.0
Other financial liabilities	7.4	0.0
Other liabilities	0.1	0.0
Liabilities in a group of assets classified as held for sale	**20.5**	**0.0**
Net assets directly related to the disposal group	**1.7**	**0.0**

The statement of financial position of the Würth Group as of December 31, 2016 includes assets classified as held for sale and liabilities in a group of assets classified as held for sale as the Würth Group was negotiating on the balance sheet date on the sale of a defined regional part of the Tools unit and a peripheral area of the Production unit. Both transactions are scheduled to be completed in the 2017 fiscal year.

[23] Equity

Share capital comprises the share capital of the following parent companies within the Group:

Parent companies within the Group	Registered office	Share capital in millions of EUR	Shareholders
Adolf Würth GmbH & Co. KG	Germany	300.8	Würth Family Trusts
Würth Finanz-Beteiligungs-GmbH	Germany	67.0	Würth Family Trusts
Waldenburger Beteiligungen GmbH & Co. KG	Germany	20.0	Würth Family Trusts
Würth Elektrogroßhandel GmbH & Co. KG	Germany	19.6	Würth Family Trusts
Würth Promotion Ges.m.b.H.	Austria	0.04	Würth Private Trust
Würth Beteiligungen GmbH	Germany	0.03	Würth Family Trusts
Other (incl. 35 general partner companies)	Germany	0.93	Adolf Würth Trust
Total		**408.4**	

The limited partners' capital in the partnerships corresponds to the share capital.

Other reserves include the profits earned in prior years and not yet distributed as well as capital contributions at the parent companies in the Group and consolidated subsidiaries. Differences from foreign currency translation and from the remeasurement of defined benefit plans are also disclosed here. The individual components of equity and their development in 2016 and 2015 are shown in the consolidated statement of changes in equity.

Non-controlling interests mainly relate to shares held by third parties in subsidiaries as well as direct shareholdings of members of the Würth family.

Distributions of EUR 108.0 million are planned for 2017.

[24] Liabilities from financial services

2016 in millions of EUR	Total	Due in < 1 year	Due in 1 – 5 years	Due in > 5 years
Liabilities from the leasing business	101.9	31.6	64.4	5.9
Liabilities from the insurance business	3.2	3.2	0.0	0.0
Liabilities from the banking business	1,035.0	819.9	155.4	59.7
Total	**1,140.1**	**854.7**	**219.8**	**65.6**

2015 in millions of EUR	Total	Due in < 1 year	Due in 1 – 5 years	Due in > 5 years
Liabilities from the leasing business	110.2	34.5	65.9	9.8
Liabilities from the insurance business	2.6	2.6	0.0	0.0
Liabilities from the banking business	1,062.0	789.4	224.1	48.5
Total	**1,174.8**	**826.5**	**290.0**	**58.3**

Liabilities from financial services include liabilities from related parties of EUR 2.9 million (2015: EUR 2.9 million).

Liabilities from the leasing business include liabilities from an ABCP transaction of EUR 88.2 million (2015: EUR 94.6 million). The nominal amount of this ABCP transaction comes to EUR 93.3 million (2015: EUR 99.9 million). Any risk items relating to it are hedged by interest swaps of the same amount and term as soon as they become apparent. As of the end of the reporting period, the contrasting changes in value and cash flows from hedged transactions and hedging instruments had balanced each other out.

The table below shows the contractually agreed remaining terms to maturity:

		Cash flow		
in millions of EUR	Carrying amounts **December 31, 2016**	< 1 year	1-5 years	> 5 years
Liabilities from the leasing business	101.9	41.0	67.5	6.1
Liabilities from the insurance business	3.2	3.2	0.0	0.0
Liabilities from the banking business	1,035.0	887.2	230.7	67.3

[25] Financial liabilities

in millions of EUR	2016	Thereof due within one year	2015	Thereof due within one year
Bonds	1,683.8	0.0	1,676.1	0.0
Liabilities to banks	141.5	91.0	167.4	120.8
Liabilities to non-controlling interests	43.2	43.2	40.2	40.2
Liabilities from leases	9.3	4.6	10.8	5.1
Total	**1,877.8**	**138.8**	**1,894.5**	**166.1**

The Group has financial liabilities due in more than five years of EUR 504.8 million (2015: EUR 688.4 million).

The maturities and terms of the bonds repayable and their fair values are as follows:

Type	Amount	Interest	Effective interest	Maturity	Treasury stock in millions of EUR	Carrying amount in millions of EUR	Fair value in millions of EUR
Bond	EUR 500 million	3.75%	3.86%	5/25/2018	0.0	499.0	525.3
Bond	EUR 500 million	1.75%	1.76%	5/21/2020	0.0	499.0	529.5
US private placement	USD 200 million	4.48%	4.53%	9/22/2021	0.0	189.5	214.0
Bond	EUR 500 million	1.00%	1.04%	5/19/2022	1.5	496.3	498.5
December 31, 2016					**1.5**	**1,683.8**	**1,767.3**

Type	Amount	Interest	Effective interest	Maturity	Treasury stock in millions of EUR	Carrying amount in millions of EUR	Fair value in millions of EUR
Bond	EUR 500 million	3.75%	3.86%	5/25/2018	0.0	498.3	552.5
Bond	EUR 500 million	1.75%	1.76%	5/21/2020	0.0	498.7	532.2
US private placement	USD 200 million	4.48%	4.53%	9/22/2021	0.0	183.3	212.7
Bond	EUR 500 million	1.00%	1.04%	5/19/2022	1.5	495.8	505.5
December 31, 2015					**1.5**	**1,676.1**	**1,802.9**

Treasury stock of EUR 1.5 million (2015: EUR 1.5 million) that was treated as a corporate repurchase was offset against the bonds that were issued with an original value of EUR 1,685.3 million (2015: EUR 1,677.6 million).

The capital borrowed though the US private placement of USD 200 million is contingent on certain covenants being met. The Würth Group is required to meet certain debt service ratios such as the ratio of net financial debt to EBITDA and senior liabilities to equity. They also include restrictions on the disposal of assets.

The maturities and conditions of liabilities due to banks are as follows:

Currency	Interest terms	Remaining fixed interest period	Interest rate	< 1 year	1-5 years	> 5 years	Carrying amount
EUR	floating / fixed	< 1 year	0.01 % – 10.00 %	74.6	0.2	0.0	74.8
USD	floating / fixed	< 1 year	0.01 % – 6.00 %	0.5	0.0	0.0	0.5
Other	floating / fixed	< 1 year	0.01 % – 20.00 %	15.9	0.7	0.0	16.6
EUR	fixed	1 – 5 years	0.59 % – 7.00 %	0.0	42.5	0.1	42.6
EUR	fixed	> 5 years	0.85 % – 5.00 %	0.0	0.0	7.0	7.0
December 31, 2016				**91.0**	**43.4**	**7.1**	**141.5**

Currency	Interest terms	Remaining fixed interest period	Interest rate	< 1 year	1-5 years	> 5 years	Carrying amount
EUR	floating / fixed	< 1 year	0.01 % – 6.00 %	97.6	0.6	0.1	98.3
USD	floating / fixed	< 1 year	0.01 % – 5.57 %	0.3	0.0	0.0	0.3
Other	floating / fixed	< 1 year	0.01 % – 20.00 %	22.9	0.7	0.0	23.6
EUR	fixed	1 – 5 years	0.78 % – 7.00 %	0.0	39.0	0.3	39.3
EUR	fixed	> 5 years	2.00 % – 6.00 %	0.0	0.0	5.9	5.9
December 31, 2015				**120.8**	**40.3**	**6.3**	**167.4**

The carrying amounts of liabilities to banks reported in the statement of financial position approximate fair value.
Non-current liabilities from leases are subject to customary market interest rates.

The table below shows the contractually agreed remaining terms to maturity.

in millions of EUR	Carrying amounts **December 31, 2016**	Cash flow < 1 year	Cash flow 1-5 years	Cash flow > 5 years
Financial liabilities				
Bonds, liabilities to banks	1,825.3	132.0	1,329.7	512.1
Liabilities from leases	9.3	4.9	4.3	1.7
Trade payables	634.0	634.0	0.0	0.0
Derivative financial liabilities				
Inflows from currency derivatives	–	373.8	23.3	0.0
Outflows from currency derivatives	4.2	382.1	24.0	0.0
Outflows from interest rate derivatives	18.4	4.7	18.7	4.1

[26] Obligations from post-employment benefits

A pension plan is in place for employees of the Würth Group for the period after they retire. The benefits vary according to local legal, tax and economic conditions. The obligations include vested future pension benefits as well as current pensions paid. The company pension scheme includes defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the respective entity pays contributions to state or private pension companies either on a voluntary basis or based on legal provisions. The contributions are recognized as a personnel expense when they fall due. No further payment obligations arise for the Würth Group from the payment of contributions. Current contributions (without contributions to the statutory pension insurance) totaled EUR 16.7 million (2015: EUR 13.1 million). Payments of EUR 174.9 million were made to the statutory pension insurance in the fiscal year (2015: EUR 170.7 million).

The largest defined benefit plans are in Germany, Austria, Italy, the Netherlands and Switzerland. The defined benefit plans in Germany, Austria and Italy constitute direct obligations, whereas the Swiss and Dutch plans are indirect benefit obligations. The amount of the entitlements depends on the length of service, frequently on the salary development and, for indirect benefit obligations, also on the employee contributions paid in.

The Würth Group's benefit obligations in Germany guarantee the beneficiaries a life-long monthly old age pension, provided that a vesting period of ten years of service can be demonstrated. The amount of the benefit is usually determined by arranged fixed amounts. Employees receive such voluntary pensions in addition to the statutory pension once they reach the statutory retirement age. Employees are also offered another defined benefit plan in the form of a deferred compensation arrangement under which gross cash compensation is converted to a company pension plan based on individual contracts. This voluntary conversion of monthly compensation is generally limited to the higher of either 10 % of one twelfth of the yearly income in the year before commencement of the conversion or 4 % of the respective maximum monthly contribution to the German pension system (western German states). In total, obligations in Germany amount to EUR 155.5 million (2015: EUR 131.6 million).

In Austria, a severance payment is guaranteed by law, subject to the provisions of the BMVG ["Betriebliche Mitarbeiterversorgungsgesetz": Austrian Act Governing Company Pensions]. This is paid out when the employment relationship ends. For employment relationships that began before the end of 2002, the employee has a right to such payment from the employer. The amount depends on the length of service and salary development. If the employment relationship is terminated by the employee, the right to a severance payment from the employer is forfeited. For employment relationships started as of the beginning of 2003, the employer pays 1.53 % of the gross monthly salary into a selected company pension scheme, which then pays out any severance payment entitlement when the employment ends. The entitlement is now retained even if the employee terminates the employment relationship. For employment relationships that began before the end of 2002, total obligations were recognized in the amount of EUR 27.7 million in Austria (2015: EUR 25.0 million).

In Italy, employees are entitled by law to a severance payment when the employment relationship ends (trattamento di fine rapporto, TFR). The amount of the TFR is determined by the number of years of service and is capped at one month's salary per year of service. Since 2007, the legislature provides for a capital option, i.e., the employees can choose whether provision should continue to be made for their future entitlements in the company or be paid into a pension fund instead. Obligations of EUR 26.0 million were recognized in the statement of financial position of the Würth Group in Italy (2015: EUR 26.1 million).

In the Würth Group in Switzerland, retirement benefits are handled via external insurance companies. They are subject to regulatory supervision and are governed by the BVG ["Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge": Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans]. The top management body of these insurance companies, the trust board, is composed of an equal number of employee and employer representatives. The various benefits are set forth in regulations, with minimum benefits stipulated by the BVG. The contributions to the insurance company are settled by employers and employees. In the event of a deficit, measures can be agreed, such as adjusting the benefit obligation by changing conversion rates or increasing current contributions. In the case of almost all Swiss entities in the Würth Group Switzerland, the insurance company is a separate pension trust. The benefits comprise not only old age pensions, but also disability and surviving dependents' pension benefits. The trust's statutes define the pension scope and benefit amounts, minimum payment obligations and the investment strategy. All insurance-related risks are borne by the trust. The trust board reviews the investment strategy annually by means of an ALM (asset liability management) analysis as part of its responsibility for the investment of the assets. In total, obligations in Switzerland amounted to EUR 196.9 million (2015: EUR 196.9 million). Plan assets came to EUR 161.4 million (2015: EUR 150.3 million). The associated net liability amounts to EUR 35.5 million (2015: EUR 46.6 million).

The obligations from post-employment benefits were determined based on the following assumptions:

	Discount rate		Future salary increases		Future pension increases	
in %	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Germany	1.75	2.50	3.00	3.00	1.75	1.75
Austria	1.75–2.00	2.25–2.65	2.00–3.00	2.00–3.00	–	–
Italy	1.80	2.02	3.00	3.00	1.50	1.50
Switzerland	0.70	0.83	0.50	1.00	–	–
Other countries	0.75–2.60	1.00–3.80	2.00–2.25	2.00–3.00	1.00	1.00–3.00

The 2005 G mortality tables from Dr. Klaus Heubeck are applied in Germany. The method for determining the discount rate is unchanged compared to the prior year.

The benefit obligations are derived as follows:

in millions of EUR	**2016**	**2015**	**2014**	**2013**	**2012**
Present value of funded benefit obligations	246.5	270.5	293.5	238.6	242.5
Fair value of plan assets	– 188.2	– 204.7	– 242.3	– 205.9	– 200.0
Adjustments on plan assets in accordance with IAS 19.64 b	0.0	0.0	3.3	1.6	4.4
Net carrying amount on funded benefit obligations	**58.3**	**65.8**	**54.5**	**34.3**	**46.9**
Present value of unfunded benefit obligations	**208.9**	**182.9**	**190.3**	**151.8**	**147.5**
Net benefit liability recognized in the statement of financial position	**267.2**	**248.7**	**244.8**	**186.1**	**194.4**
Experience adjustments					
Present value of the obligations	– 10.4	– 1.9	0.7	10.2	– 3.6

The average term to maturity of the obligations from post-employment benefits is 18 years.

The net benefit expense from defined benefit plans breaks down as follows:

in millions of EUR	2016	2015
Service cost		
Current service cost	22.3	24.1
Past service cost	0.0	– 2.7
Income from plan settlements	0.1	0.3
Net interest cost	5.0	4.7
Total expense recognized in the income statement	**27.4**	**26.4**

The service cost is recognized under personnel expenses, while the net interest cost is recorded in the financial result.

The remeasurement of defined benefit plans breaks down as follows:

in millions of EUR	2016	2015
Actuarial gains (–) and losses (+) recognized		
on changes in actuarial assumptions	22.3	– 7.6
on changes in demographic assumptions	– 10.4	– 1.9
Return on plan assets (less interest income)	– 5.5	6.2
Effects of the asset ceiling (IAS 19.64 b)	0.0	– 3.3
Remeasurement of defined benefit plans	**6.4**	**– 6.6**

The present value of the defined benefit obligations changed as follows:

in millions of EUR	2016	2015
Defined benefit obligation at the beginning of the year	453.4	483.8
Disposal to assets classified as held for sale and liabilities in a group of assets classified as held for sale	– 27.8	2.1
Increase due to deferred compensation	0.5	0.8
Service cost	22.4	21.7
Interest cost	7.8	9.5
Employee contributions	6.3	6.2
Benefits paid	– 11.6	– 12.6
Actuarial gains (–) and losses (+) recognized	11.9	– 9.5
Transfer of benefits	– 5.7	– 60.5
Exchange difference on foreign plans	– 1.8	11.9
Defined benefit obligation at the end of the year	**455.4**	**453.4**

Future adjustments in pensions are taken into account in accordance with legal provisions (e.g. in Germany Sec. 16 BetrAVG ["Gesetz zur Verbesserung der betrieblichen Altersvorsorge": German Company Pensions Act]).

The fair value of the plan assets has developed as follows:

in millions of EUR	2016	2015
Fair value of plan assets at the beginning of the year	204.7	242.3
Disposal to assets classified as held for sale	– 28.6	0.0
Interest income	2.8	4.8
Return on plan assets (less interest income)	5.5	– 6.2
Employer contributions	10.0	12.1
Employee contributions	6.3	6.2
Benefits paid	– 4.9	– 4.9
Transfer of assets	– 5.1	– 60.5
Exchange difference on foreign plans	– 2.5	10.9
Fair value of plan assets at the end of the year	**188.2**	**204.7**

The actual return came in at 3.96 % (2015: – 0.53 %). The amount of employer's contributions to external funds is expected to be similar in the following year.

Breakdown of fair value of plan assets by asset category:

in millions of EUR	2016	2015	2014	2013	2012
Fixed-income investment funds	63.0	67.9	116.4	79.6	82.1
Share-based investment funds	45.4	43.2	45.7	39.5	31.2
Real estate investment funds	38.0	35.8	30.4	32.1	25.9
Other funds	10.5	2.5	20.8	26.9	28.2
Fixed-interest securities	16.8	25.2	15.1	16.0	17.2
Shares	2.0	13.2	1.7	1.9	2.0
Real estate	2.7	3.5	2.4	2.6	2.9
Other	9.8	13.4	9.8	7.3	10.5
Total	**188.2**	**204.7**	**242.3**	**205.9**	**200.0**

As a rule, quoted prices are available on an active market for the equity and debt instruments. The ratings for funds and fixed-interest securities are usually not below A. The item "Other" primarily relates to cash and cash equivalents invested at banks with an A rating or higher.

With regard to sensitivities, the key actuarial assumptions determined for the Würth Group in Germany are the discount rate, the pension trend and life expectancy. For the Würth Group in Switzerland, the discount rate, the rate of future salary increases and life expectancy have been determined.

At the Würth Group in Germany, a 0.25 % increase / decrease in the discount rate would lead to a decrease / increase in the DBO (Defined Benefit Obligation) of – 4.8 % / + 5.2 %. A 0.25 % increase / decrease in the pension trend would lead to an increase / decrease in the DBO of + 1.4 % / – 2.7 %. An increase in life expectancy of one year would increase the DBO by 3.6 %.

At the Würth Group in Switzerland, a 0.25 % increase / decrease in the discount rate would lead to a decrease / increase in the DBO of – 3.2 % / + 3.5 %. A 0.5 % increase / decrease in the rate of future salary increases would lead to an increase / decrease in the DBO of + 1.9 % / – 1.9 %. An increase in life expectancy of one year would increase the DBO by 1.6 %.

[27] Provisions

in millions of EUR	**January 1, 2016**	Exchange difference	Additions due to changes in the consolidated group	Reclassifications to liabilities in a group of assets classified as held for sale	Utilization	Reversal	Addition	Unwinding of the discount and changes in the discount rate	**December 31, 2016**
Credit notes	68.5	– 0.1	0.1	0.0	48.5	4.7	59.7	0.0	75.0
Long-service bonuses	74.1	0.1	0.0	0.0	0.5	1.8	6.6	3.9	82.4
Warranty obligations	24.0	0.1	0.1	0.1	4.1	2.2	4.6	0.2	22.6
Litigation and lawyers' fees	19.1	0.2	0.0	1.3	2.5	2.0	19.5	0.2	33.2
Phased retirement scheme	8.8	0.0	0.1	0.5	0.4	1.3	1.6	0.4	8.7
Product liability	7.5	0.0	0.0	4.4	0.3	1.6	1.4	0.2	2.8
Sundry	39.0	0.0	0.3	1.0	11.2	3.9	24.1	0.2	47.5
Total	**241.0**	**0.3**	**0.6**	**7.3**	**67.5**	**17.5**	**117.5**	**5.1**	**272.2**
Thereof: current	147.7								176.7
non-current	93.3								95.5

in millions of EUR	**January 1, 2015**	Exchange difference	Additions due to changes in the consolidated group	Utilization	Reversal	Addition	Unwinding of the discount and changes in the discount rate	**December 31, 2015**
Credit notes	67.5	0.3	0.6	49.5	5.3	54.9	0.0	68.5
Long-service bonuses	70.1	0.1	0.0	1.4	1.5	3.1	3.7	74.1
Warranty obligations	24.6	0.0	0.3	6.0	0.9	5.9	0.1	24.0
Litigation and lawyers' fees	21.2	0.1	0.0	4.6	1.6	3.8	0.2	19.1
Phased retirement scheme	8.2	0.0	1.6	1.9	1.0	1.6	0.3	8.8
Product liability	7.2	0.0	0.0	1.4	0.9	2.3	0.3	7.5
Sundry	32.3	0.1	0.2	9.1	6.5	21.7	0.3	39.0
Total	**231.1**	**0.6**	**2.7**	**73.9**	**17.7**	**93.3**	**4.9**	**241.0**
Thereof: current	143.6							147.7
non-current	87.5							93.3

The provision for credit notes is primarily attributable to obligations relating to discounts, bonuses, etc. granted that are allocable to the period after the reporting date, but caused by sales prior to the reporting date. The provision for long-service bonuses includes bonuses awarded to employees who have been with the company for many years. The provision for warranty obligations accounts for risks from legal or constructive obligations from trade with fastening and assembly materials involving trade customers, the building industry and industrial customers, as well as from the manufacture of screws and fittings. Other provisions relate to numerous identifiable specific risks and uncertain liabilities which were accounted for at the amount at which they are likely to be incurred.

The cash outflow for provisions for long-service bonuses and the German phased retirement scheme ("Altersteilzeit") is mainly of a medium- (two to four years) to long-term (five to 50 years) nature. In most cases other provisions are expected to lead to a cash outflow in the next fiscal year.

[28] Other financial liabilities

in millions of EUR	**2016**	Thereof due within one year	**2015**	Thereof due within one year
Liabilities to related parties	11.1	9.9	7.9	6.7
Derivative liabilities	13.4	13.4	14.5	14.5
Liabilities from business combinations	64.2	4.4	102.0	3.3
Sundry financial liabilities	353.1	345.7	345.8	340.0
Total	**441.8**	**373.4**	**470.2**	**364.5**

Sundry financial liabilities essentially include liabilities to employees, outstanding purchase invoices and customers with credit balances.

[29] Other liabilities

in millions of EUR	**2016**	Thereof due within one year	**2015**	Thereof due within one year
Deferred income	11.6	11.6	13.4	13.4
Other liabilities	401.4	398.5	361.6	357.4
Total	**413.0**	**410.1**	**375.0**	**370.8**

Liabilities relating to social security amount to EUR 64.3 million (2015: EUR 66.3 million).
In addition, sundry liabilities include liabilities from other taxes of EUR 103.9 million (2015: EUR 102.0 million).

[30] Additional disclosures on financial instruments – carrying amounts, amounts recognized and fair values by measurement category

in millions of EUR	Measurement category under IAS 39	Carrying amount Dec. 31, 2016	Amount recognized in the statement of financial position: Amortized cost	Fair value (recognized directly in equity)	Fair value through profit or loss	IAS 17	Fair value Dec. 31, 2016
Assets							
Financial assets	AfS / HtM	49.3	49.3				33.1
Receivables from financial services	LaR / n. a.	1,339.0	995.9			343.1	1,339.0
Trade receivables	LaR	1,575.5	1,575.5				1,575.5
Other financial assets							
Receivables from related parties	LaR	20.6	20.6				20.6
Derivative financial assets	FAHfT / LaR	13.1	– 6.4		19.5		13.1
Sundry financial assets	LaR	118.0	118.0				118.0
Securities	AfS / FAHfT / FAFVtpl	137.1		61.6	75.5		137.1
Cash and cash equivalents	FAFVtpl / LaR	873.9	873.7		0.2		873.9
Equity and liabilities							
Liabilities from financial services	FLAC	1,140.1	1,140.1				1,140.1
Trade payables	FLAC	634.0	634.0				634.0
Financial liabilities	FLAC / n. a.	1,877.8	1,868.5			9.3	1,961.3
Other financial liabilities							
Liabilities to related parties	FLAC	11.1	11.1				11.1
Derivative liabilities	FLAC / FLHfT	13.4	– 9.2		22.6		13.4
Liabilities from business combinations	FLAC	64.2	64.2				64.2
Sundry financial liabilities	FLAC	353.1	353.1				353.1
Thereof combined by measurement category in accordance with IAS 39:							
1 Held-to-maturity investments	(HtM)	33.1	33.1				33.1
2 Financial assets held for trading	(FAHfT)	19.5			19.5		19.5
3 Financial assets (designated as) at fair value through profit or loss	(FAFVtpl)	75.7			75.7		75.7
4 Available-for-sale financial assets	(AfS)	77.8	16.2	61.6			61.6
5 Loans and receivables	(LaR)	3,577.3	3,577.3				3,577.3
6 Receivables from the leasing business	(n. a.)	343.1				343.1	343.1
7 Financial liabilities held for trading	(FLHfT)	22.6			22.6		22.6
8 Financial liabilities at amortized cost	(FLAC)	4,061.8	4,061.8				4,145.3
9 Lease obligations	(n. a.)	9.3				9.3	9.3

in millions of EUR **Assets**	Measurement category under IAS 39	Carrying amount **Dec. 31, 2015**	Amount recognized in the statement of financial position Amortized cost	 Fair value (recognized directly in equity)	 Fair value through profit or loss	 IAS 17	Fair value **Dec. 31, 2015**
Financial assets	AfS / HtM	48.2	48.2				32.8
Receivables from financial services	LaR / n. a.	1,440.0	1,107.0			333.0	1,440.0
Trade receivables	LaR	1,427.2	1,427.2				1,427.2
Other financial assets							
Receivables from related parties	LaR	47.1	47.1				47.1
Derivative financial assets	FAHfT / LaR	14.7	– 14.1		28.8		14.7
Sundry financial assets	LaR	106.4	106.4				106.4
Securities	AfS / FAHfT / FAFVtpl	137.4		66.3	71.1		137.4
Cash and cash equivalents	FAFVtpl / LaR	615.9	615.1		0.8		615.9
Equity and liabilities							
Liabilities from financial services	FLAC	1,174.8	1,174.8				1,174.8
Trade payables	FLAC	553.5	553.5				553.5
Financial liabilities	FLAC / n. a.	1,894.5	1,883.7			10.8	2,019.8
Other financial liabilities							
Liabilities to related parties	FLAC	7.9	7.9				7.9
Derivative liabilities	FLAC / FLHfT	14.5	– 20.5		35.0		14.5
Liabilities from business combinations	FLAC	102.0	102.0				102.0
Sundry financial liabilities	FLAC	345.8	345.8				345.8
Thereof combined by measurement category in accordance with IAS 39:							
1 Held-to-maturity investments	(HtM)	32.8	32.8				32.8
2 Financial assets held for trading	(FAHfT)	28.8			28.8		28.8
3 Financial assets (designated as) at fair value through profit or loss	(FAFVtpl)	71.9			71.9		71.9
4 Available-for-sale financial assets	(AfS)	81.7	15.4	66.3			66.3
5 Loans and receivables	(LaR)	3,288.7	3,288.7				3,288.7
6 Receivables from the leasing business	(n. a.)	333.0				333.0	333.0
7 Financial liabilities held for trading	(FLHfT)	35.0			35.0		35.0
8 Financial liabilities at amortized cost	(FLAC)	4,047.2	4,047.2				4,172.5
9 Lease obligations	(n. a.)	10.8				10.8	10.8

The following tables show the measurement of the fair value of the Würth Group's assets and liabilities by hierarchical level.

Assets and liabilities at fair value:

in millions of EUR	**Total Dec. 31, 2016**	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Derivative assets			
Currency instruments	3.7	0.0	3.7
Interest instruments	15.8	0.0	15.8
Securities	137.1	61.6	75.5
Cash and cash equivalents	0.2	0.2	0.0
Financial assets at fair value	**156.8**	**61.8**	**95.0**
Derivative liabilities			
Currency instruments	4.2	0.0	4.2
Interest instruments	18.4	0.0	18.4
Financial liabilities at fair value	**22.6**	**0.0**	**22.6**

in millions of EUR	**Total Dec. 31, 2015**	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Derivative assets			
Currency instruments	5.0	0.0	5.0
Interest instruments	23.8	0.0	23.8
Securities	137.4	66.3	71.1
Cash and cash equivalents	0.8	0.8	0.0
Financial assets at fair value	**167.0**	**67.1**	**99.9**
Derivative liabilities			
Currency instruments	5.0	0.0	5.0
Interest instruments	30.0	0.0	30.0
Financial liabilities at fair value	**35.0**	**0.0**	**35.0**

Notes on the fair values of those financial assets and liabilities that were not stated at fair value in the consolidated statement of financial position:

in millions of EUR	**Total Dec. 31, 2016**	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Financial assets	33.1	0.0	33.1
Receivables from financial services	1,339.0	0.0	1,339.0
Trade receivables	1,575.5	0.0	1,575.5
Receivables from related parties	20.6	0.0	20.6
Sundry financial assets	118.0	0.0	118.0
Cash and cash equivalents	873.7	873.7	0.0
Financial assets not stated at fair value	**3,959.9**	**873.7**	**3,086.2**
Liabilities from financial services	1,140.1	0.0	1,140.1
Trade payables	634.0	0.0	634.0
Financial liabilities	1,961.3	0.0	1,961.3
Liabilities to related parties	11.1	0.0	11.1
Liabilities from business combinations	64.2	0.0	64.2
Sundry financial liabilities	353.1	0.0	353.1
Financial liabilities not stated at fair value	**4,163.8**	**0.0**	**4,163.8**

in millions of EUR	**Total Dec. 31, 2015**	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Financial assets	32.8	0.0	32.8
Receivables from financial services	1,440.0	0.0	1,440.0
Trade receivables	1,427.2	0.0	1,427.2
Receivables from related parties	47.1	0.0	47.1
Sundry financial assets	106.4	0.0	106.4
Cash and cash equivalents	615.1	615.1	0.0
Financial assets not stated at fair value	**3,668.6**	**615.1**	**3,053.5**
Liabilities from financial services	1,174.8	0.0	1,174.8
Trade payables	553.5	0.0	553.5
Financial liabilities	2,019.8	0.0	2,019.8
Liabilities to related parties	7.9	0.0	7.9
Liabilities from business combinations	102.0	0.0	102.0
Sundry financial liabilities	345.8	0.0	345.8
Financial liabilities not stated at fair value	**4,203.8**	**0.0**	**4,203.8**

I. Other notes

[1] Commitments and contingencies

in millions of EUR	**2016**	**2015**
Guarantees, warranties and collateral for third-party liabilities	26.8	28.7

Guarantees, warranties and collateral are due immediately upon request.

[2] Other financial obligations

in millions of EUR	**2016**	**2015**
Obligations from operating leases		
due within 12 months	256.5	236.6
due in 13 to 60 months	469.1	415.0
due in more than 60 months	94.1	117.9
	819.7	**769.5**
Purchase obligations		
due within 12 months	462.4	425.1
	462.4	**425.1**
Sundry financial obligations		
due within 12 months	95.5	96.9
due in 13 to 60 months	69.7	69.7
due in more than 60 months	0.0	0.8
	165.2	**167.4**
Total	**1,447.3**	**1,362.0**

The operating leases mainly relate to rented buildings and leased vehicles. The interest rates stipulated in the lease agreements are customary market rates. There are no purchase options upon expiry of the lease either for the rented buildings or the leased vehicles.

The sundry financial obligations contain irrevocable lending commitments of Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany in the amount of EUR 144.5 million (2015: EUR 140.0 million).

The table below contains the payments from operating leases recognized in profit or loss:

in millions of EUR	2016	2015
Real estate	151.2	142.5
Machines, equipment, furniture and fixtures	14.4	13.6
Vehicle fleet	129.4	130.2
Other	2.9	2.4
Total	**297.9**	**288.7**

[3] Contingent liabilities

As an international group with various areas of business, the Würth Group is exposed to many legal risks. This is especially true of risks for warranties, tax law and other legal disputes. However, according to the assessment by the Central Managing Board, no decisions are expected that would have a significant influence on the net assets of the Group. Tax field audits at group entities have not been completed yet and the related audit findings have not been reported yet.

[4] Financial instruments

Financial risk management

Through its financial activities, the Würth Group is subject to various risks that are assessed, managed and monitored by a systematic risk management system.

Details of the Group's management of market risks (exchange rate, interest rate and securities risks), credit risks and liquidity risks are presented below.

Exchange rate risks

The Würth Group is exposed to currency risks from financing and operating activities. By exchange rate risks, the Würth Group means the exposure of the assets and income disclosed resulting from exchange rate fluctuations between the transaction currency and the functional currency in each case.

As far as operations are concerned, the individual group entities mainly carry out their activities in their own functional currency. The currency risk for the Würth Group from current operating activities is therefore classified as low. Exchange rate risks are countered by forward exchange contracts and currency options. Derivative financial instruments are used to hedge future sales and goods purchases against exchange rate risks. These are not, however, designated as hedges and are measured at fair value through profit or loss.

Regarding the presentation of market risks, IFRS 7 requires sensitivity analyses showing how profit or loss and equity would be affected by hypothetical changes in the relevant risk variable.

If the euro had depreciated (appreciated) against the US dollar, the Swiss franc and the pound sterling by 10% as of December 31, 2016, the hypothetical effect on profit or loss would have been as follows:

in millions of EUR	Hypothetical effect on profit or loss **2016**		Hypothetical effect on profit or loss **2015**	
Currency	Depreciation	Appreciation	Depreciation	Appreciation
US dollar	– 4.2	4.2	– 0.4	0.4
Swiss franc	25.1	– 25.1	16.9	– 16.9
Pound sterling	0.1	– 0.1	0.1	– 0.1

There were no changes affecting other comprehensive income.

Interest rate risks

By interest rate risk, the Würth Group means the negative effects on the net assets and results of operations resulting from changes in interest rates. One of the methods used to counter this risk is to ensure that a large part of external financing is in fixed-interest rate bonds. In addition, derivatives are used for risk management purposes (e.g., interest rate swaps).

The interest rate risk is mainly limited to the liabilities to banks with floating interest rates listed under [25] "Financial liabilities" and the items presented under [13] "Receivables from financial services" and under [24] "Liabilities from financial services".

Under IFRS 7, interest rate risks are presented using sensitivity analyses. These present the effects of changes in market interest rates on interest payments, interest income and expenses, other components of profit or loss and, if applicable, on equity.

If the market interest level had been 100 base points higher (lower) as of December 31, 2016, profit or loss would have been EUR 7.4 million lower (higher) (2015: EUR 5.3 million). The hypothetical effect on profit or loss is mainly attributable to overdraft facilities as well as receivables and liabilities from financial services. Equity would change accordingly. There were no changes affecting other comprehensive income.

Securities risks

The Würth Group is exposed to securities risks because of its investments. Specifically, there is a risk of financial loss due to changes in prices of (publicly traded) securities. One way of countering this risk is through diversification of the investment portfolio. When selecting bonds, a minimum rating of BBB (Standard & Poor's) is generally required. The rating development is monitored on a daily basis. If the bonds are downgraded by the rating agency, they are sold immediately. In addition, derivatives are used for risk management purposes to hedge security price risks.

Credit risks

The credit risk is countered by limiting business relationships to first class banks with a minimum rating of BBB (Standard & Poor's). Default risks from receivables are minimized by continuous monitoring of the creditworthiness of the counterparty and by limiting the aggregated individual risks from the counterparty. Standardized master agreements of the International Swaps and Derivatives Association (ISDA master agreements), including the Credit Support Annex (CSA), are in place with those external counterparties of the Würth Group with whom it enters into transactions as part of its financial risk management.

The maximum credit risk is the carrying amount of the financial assets recognized in the statement of financial position. The credit risk from operating activities is accounted for by recognizing a portfolio-based specific allowance on trade receivables.

Liquidity risks

The Würth Group needs liquidity to meet its financial obligations. Group entities are obliged by the Group's guidelines to deposit any excess cash not needed to meet current obligations with Würth Finance International B.V., 's-Hertogenbosch, Netherlands, or Adolf Würth GmbH & Co. KG, Künzelsau, Germany, to make it available to the Würth Group. The high international credit rating received by the Würth Group (Standard & Poor's issued an A rating on the Würth Group's non-current liabilities) means that the Group can obtain favorable terms for procuring funds on international capital markets. In order to be in a position to meet its payment obligations at any time, even in extraordinary circumstances, the Würth Group also maintains lines of credit with various banks to cover potential liquidity bottlenecks.

Capital management

The primary objective of the Würth Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratio. The Group manages its capital structure in light of changes in economic conditions. In addition, the financial service providers within the Group comply with the applicable regulatory capital requirements. No changes were made to the objectives, policies and processes as of December 31, 2016 and December 31, 2015. The equity ratio, calculated as equity in accordance with IFRS divided by total assets, is 46.1 % (2015: 44.3 %). This means that the equity ratio is higher than the industry average, and ensures the Würth Group an investment grade A rating at present. Regarding a US private placement, the Würth Group is also required to comply with a certain ratio of senior liabilities to equity.

Fair value of financial instruments

The fair value of financial instruments that are included in the portfolio of available-for-sale financial assets and financial assets held for trading is estimated by comparing it with the market price on the reporting date.

The fair value of financial instruments designated as at fair value through profit or loss is determined using the valuation techniques presented under [20] "Securities".

The loss resulting from adjusting the fair value of financial assets at fair value through profit or loss amounted to EUR 0.7 million in the fiscal year (2015: EUR – 0.9 million) and was recorded in full in profit or loss for the period.

The fair value of forward exchange contracts is measured using the closing rates on the forward exchange markets. Interest rate swaps are measured at fair value on the basis of the present value of estimated future cash flows. The fair value of options is measured using option-pricing models. The Würth Group has a policy of obtaining confirmation of the fair value of all above-mentioned instruments by the banks that arranged the respective contracts for the Würth Group.

The financial instruments not recognized at fair value within the Würth Group primarily comprise certain cash equivalents, trade receivables, other current assets, other non-current assets, trade payables, and other liabilities, overdraft facilities, non-current loans and held-to-maturity investments.

The carrying amount of cash equivalents and overdraft facilities approximates fair value due to the high liquidity of the financial instruments.

The historical cost carrying amount of receivables and payables subject to normal trade credit terms also approximates fair value.

The fair value of non-current liabilities is based on the market price for these liabilities or similar financial instruments or on the current interest rates for borrowing at similar terms and conditions. The amounts reported in the statement of financial position approximate fair value and are presented separately in note [30] “Additional disclosures on financial instruments”.

Hedges and derivative financial instruments
As of the reporting date, the fair value of derivate financial instruments was as follows:

in millions of EUR	Contract value or nominal value		Positive replacement value		Negative replacement value	
Type	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Currency instruments						
Foreign exchange forward contracts	897.2	771.2	3.7	4.9	4.2	5.0
Currency options (OTC)	0.0	2.7	0.0	0.1	0.0	0.0
Total currency instruments	**897.2**	**773.9**	**3.7**	**5.0**	**4.2**	**5.0**
Interest instruments						
Interest rate swaps	603.1	787.5	13.4	20.2	9.0	24.5
Cross-currency swaps	169.1	201.3	2.4	3.6	9.4	5.5
Total interest instruments	**772.2**	**988.8**	**15.8**	**23.8**	**18.4**	**30.0**
Reduction due to CSA			**6.4**	**14.1**	**9.2**	**20.5**
Net replacement value			– 0.3	0.2		

As part of financial risk management, a credit support annex (CSA) was entered into. For this reason, the positive and negative replacement values of the interest instruments were all presented as a net value in the statement of financial position, i.e. after taking into account the cash settlement under the CSA.

Derivative financial instruments not designated as hedging instruments show the change in the fair value of the foreign exchange forward contracts that are not designated as hedging instruments in hedges, but are nevertheless designed to reduce the currency / interest rate risk of the Würth Group.

[5] Leases

Lessee

The net carrying amount of assets leased under finance leases breaks down as follows:

in millions of EUR	2016	2015
Real estate	6.7	7.4
Machines, equipment, furniture and fixtures	2.4	3.4
Vehicle fleet	1.0	1.7
Other	1.0	0.0
Total	**11.1**	**12.5**

The vast majority of finance leases relate to real estate. These agreements are generally designed to include a purchase option and a renewal option. Furthermore, some contain price escalation clauses based on the Euribor. There are no significant restrictions imposed by lease agreements.

Minimum lease installments over the remaining terms of the finance lease agreements and their present value are as follows:

in millions of EUR	2016	2015
due within 12 months	4.6	5.2
due in 13 to 60 months	4.3	4.3
due in more than 60 months	1.6	2.1
Minimum lease payments from finance leases less expected future interest payments	10.5	11.6
due within 12 months	0.3	0.1
due in 13 to 60 months	1.2	0.4
due in more than 60 months	0.2	0.3
Present value of minimum lease payments	**8.8**	**10.8**
Thereof		
due within 12 months	4.3	5.1
due in 13 to 60 months	3.1	3.9
due in more than 60 months	1.4	1.8

Lessor

The consolidated group also contains some entities that specialize in leases. These entities also have finance and operating leases with external third parties, primarily for machines, equipment, furniture and fixtures, and vehicles.

Reconciliation of the total gross investment to the present value of finance leases – lessor:

	December 31		due within 12 months		due in 13 to 60 months		due in more than 60 months	
in millions of EUR	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Total lease installments (gross total investments in the lease)	842.5	771.1						
Lease installments already received	340.3	303.9						
Lease installments (future minimum lease payments)	502.2	467.2	161.9	147.1	318.5	298.3	21.8	21.8
Thereof: lease payments already sold	298.5	276.9	90.8	82.3	192.7	177.5	15.0	17.1
Unearned finance income	48.6	47.6	18.9	18.3	27.7	27.7	2.0	1.6
Present value of the outstanding minimum lease payments	**155.1**	**142.7**	**52.2**	**46.5**	**98.1**	**93.1**	**4.8**	**3.1**

The finance leases are mainly hire-purchase arrangements or full payout lease agreements with a maximum term of over 90% of the leased assets' estimated useful life. The contracts can only be terminated for due cause for which the counterparty is responsible.

Valuation allowances of EUR 0.8 million (2015: EUR 0.4 million) were recognized in the fiscal year for uncollectable outstanding minimum lease payments.

Cash flow from operating leases – lessor:

in millions of EUR	**2016**	**2015**
due within 12 months	3.2	3.4
due in 13 to 60 months	10.9	11.1
due in more than 60 months	5.5	7.2
Total	**19.6**	**21.7**

[6] Related parties

In general, related parties are members of the Würth family and entities controlled by them as well as key management personnel (members of the Würth Group's Central Managing Board and the Executive Board), members of the Advisory Board of the Würth Group, the Management Board of the Würth Group's Family Trusts, the Supervisory Board of the Würth Group's Family Trusts, and close family members of the aforementioned groups of persons. Related parties also include the family trusts. Related party transactions were all conducted at arm's length.

Payments of EUR 239.7 million (2015: EUR 247.1 million) were made to members of the Würth family and the family trusts for distributions and usufructuary rights. Of the payments made, an amount of EUR 154.0 million (2015: EUR 164.5 million) was paid back as a capital contribution.

The transactions and interest income and expenses listed below were effected between the Würth Group and the Würth family, members of the Central Managing Board, the Executive Board and the Advisory Board, as well as the Management Board and the Supervisory Board of the Würth Group's Family Trusts.

in millions of EUR	2016	2015
Purchased services	2.4	3.1
Services rendered	0.3	0.3
Interest cost	0.7	0.5
Interest income	0.1	0.1
Lease / rental expense	6.2	4.9
Lease / rental income	0.2	0.2
Remuneration of the Management Board and Supervisory Board of the Würth Group's Family Trusts, and the Advisory Board	7.5	5.9

The following receivables and liabilities arose from these transactions:

in millions of EUR	2016	2015
Receivables from financial services	16.9	16.9
Loan receivable	14.0	17.4
Liabilities from financial services	2.9	2.9
Loan liabilities	7.9	7.9

In addition, close family members of key management personnel received wage and salary payments of EUR 0.1 million (2015: EUR 2.1 million). In addition, there are liabilities from financial services amounting to EUR 0.1 million (2015: EUR 0.1 million).

The interest income and expenses listed below were transacted between the Würth Group and the Family Trusts:

in millions of EUR	2016	2015
Lease / rental expense	1.0	1.0
Interest cost	3.5	2.9
Interest income	0.2	0.6

These transactions gave rise to loan receivables of EUR 6.5 million (2015: EUR 29.7 million) due from this group of persons and loan liabilities of EUR 0.4 million (2015: EUR 0.4 million).

The receivables due from and liabilities due to related parties for financial services are subject to market interest rates. All other purchased services are also rendered at market terms and conditions.

[7] Compensation of key management personnel

in millions of EUR	2016	2015
Short-term employee benefits	23.7	23.4
Post-employment benefits	0.5	0.1
Benefits due to the end of the employment relationship	0.1	0.3
Total	**24.3**	**23.8**

Individual members of the Central Managing Board and the Executive Board have a right to pension benefits with a total present value of EUR 10.7 million (2015: EUR 16.2 million). Former members and their surviving dependents are also entitled to benefit payments. The present value of the resulting benefit obligations totals EUR 26.5 million (2015: EUR 17.3 million).

[8] Government grants

The Würth Group received government grants of EUR 0.8 million in the form of investment subsidies for infrastructure projects (2015: EUR 1.6 million). EUR 0.0 million thereof (2015: EUR 0.6 million) was deducted from the assets' carrying amounts and EUR 0.8 million (2015: EUR 1.0 million) was immediately recognized in profit or loss.

[9] Auditor's fees

The following table shows, on aggregate, the fees incurred for the services provided by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany in the 2016 fiscal year.

in millions of EUR	2016	2015
Audit	2.1	2.0
Assurance services	0.0	0.1
Tax services	0.1	0.1
Other fees	0.2	0.3
Total	**2.4**	**2.5**

[10] Events after the reporting period

On January 23, 2017, Reinhold Würth Holding GmbH, Künzelsau, Germany, acquired 0.56 % of the shares (1 share) in Würth International AG, Chur, Switzerland, for a purchase price of EUR 22.5 million from the Reinhold Würth Foundation, Chur, Switzerland, and is now the sole shareholder of Würth International AG, Chur, Switzerland. The business purpose of Würth International AG, Chur, Switzerland lies in central procurement for the Würth Group and the holding of participations.

[11] Exemption from the duty of partnerships and stock corporations to prepare, audit and disclose financial statements

The following German group entities organized as partnerships made use of the exemption clause according to Sec. 264b HGB for the 2016 fiscal year:

Entity	Registered office
Abraham Diederichs GmbH & Co. oHG	Wuppertal
Adolf Menschel Verbindungstechnik GmbH & Co. KG	Plettenberg
Adolf Würth GmbH & Co. KG	Künzelsau
Arnold & Shinjo GmbH & Co. KG	Dörzbach
Arnold Umformtechnik GmbH & Co. KG	Forchtenberg
Baier & Michels GmbH & Co. KG	Ober-Ramstadt
CONMETALL GmbH & Co. KG	Celle
Conpac GmbH & Co. KG	Celle
Erwin Büchele GmbH & Co. KG	Esslingen am Neckar
Glessdox GmbH & Co. KG	Untermünkheim
Grass GmbH & Co. KG	Reinheim
Hetal-Werke Franz Hettich GmbH & Co. KG	Alpirsbach
Hommel Hercules-Werkzeughandel GmbH & Co. KG	Viernheim
IMS-Verbindungstechnik GmbH & Co. KG	Neuenstein
IVT Installations- und Verbindungstechnik GmbH & Co. KG	Rohr
Marbet Marion & Bettina Würth GmbH & Co. KG	Künzelsau
MKT Metall-Kunststoff-Technik GmbH & Co KG	Weilerbach
PIRUS Grundstücksgesellschaft mbH & Co. oHG	Albershausen
SARTORIUS Werkzeuge GmbH & Co. KG	Ratingen
Schössmetall GmbH & Co. KG	Freilassing
Siller & Laar Schrauben- Werkzeug- und Beschläge-Handel GmbH & Co. KG	Augsburg
Sonderschrauben Güldner GmbH & Co. KG	Niederstetten
Synfiber AS & Co. beschränkt haftende KG	Worms
Teudeloff GmbH & Co. KG	Waldenburg
TOGE Dübel GmbH & Co. KG	Nuremberg
TUNAP Deutschland Vertriebs- GmbH & Co. Betriebs-KG	Wolfratshausen
TUNAP Industrie Chemie GmbH & Co. Produktions KG	Wolfratshausen
UNI ELEKTRO Fachgroßhandel GmbH & Co. KG	Eschborn
Wagener & Simon WASI GmbH & Co. KG	Wuppertal
Waldenburger Beteiligungen GmbH & Co. KG	Künzelsau
Werkzeugtechnik Niederstetten GmbH & Co.KG	Niederstetten
WLC Würth-Logistik GmbH & Co. KG	Künzelsau
Würth Elektrogroßhandel GmbH & Co. KG	Künzelsau
Würth - Elektronik GmbH & Co KG	Niedernhall
Würth Elektronik eiSos GmbH & Co. KG	Waldenburg
Würth Elektronik ICS GmbH & Co. KG	Niedernhall

Entity	Registered office
Würth GmbH & Co. KG Grundstücksgesellschaft	Künzelsau
Würth Immobilien-Leasing GmbH & Co.KG	Albershausen
Würth Industrie Service GmbH & Co. KG	Bad Mergentheim
Würth IT International GmbH & Co. KG	Bad Mergentheim
Würth Leasing GmbH & Co. KG	Albershausen
Würth Modyf GmbH & Co. KG	Künzelsau
Würth TeleServices GmbH & Co. KG	Künzelsau
Würth Versicherungsdienst GmbH & Co. KG	Künzelsau
YOUR OWN BRAND GmbH & Co. KG	Regensburg

The following German group entities organized as corporations made use of the exemption clause according to Sec. 264 (3) HGB for the 2016 fiscal year:

Entity	Registered office
Dinol GmbH	Lügde
Dringenberg GmbH Betriebseinrichtungen	Obersulm
Erbschloe Werkzeug Vertriebsgesellschaft mbH	Wuppertal
FEGA & Schmitt Elektrogroßhandel GmbH	Ansbach
Flugplatz Schwäbisch Hall GmbH	Schwäbisch Hall
HAHN+KOLB Werkzeuge GmbH	Ludwigsburg
HSR GmbH Hochdruck Schlauch + Rohr Verbindungen	Neukirchen-Vluyn
INDUNORM Hydraulik GmbH	Neukirchen-Vluyn
KERONA GmbH	Öhringen
Lichtzentrale Lichtgroßhandel GmbH	Ansbach
Meister Werkzeuge GmbH	Wuppertal
Meister-Werkzeuge, Werkzeugfabrik Vertriebsgesellschaft mbH	Wuppertal
"METAFRANC" Möbel- u. Baubeschläge Vertriebsgesellschaft mbH	Wuppertal
Normfest GmbH	Velbert
Panorama Hotel- und Service GmbH	Waldenburg
Pronto-Werkzeuge GmbH	Wuppertal
Reca Norm GmbH	Kupferzell
Reinhold Würth Holding GmbH	Künzelsau
REISSER Schraubentechnik GmbH	Ingelfingen
Schmitt Elektrogroßhandel GmbH	Fulda
SCREXS GmbH	Waldenburg
SVH Handels-GmbH	Dortmund
SWG Schraubenwerk Gaisbach GmbH	Waldenburg
WOW ! Würth Online World GmbH	Künzelsau
WUCATO Marketplace GmbH	Stuttgart
Würth Elektronik iBE GmbH	Thyrnau
Würth IT GmbH	Bad Mergentheim

J. Notes on the consolidated statement of cash flows

In accordance with IAS 7, the consolidated statement of cash flows shows how the Würth Group's cash has changed over the fiscal year as a result of cash received and paid. It is classified by cash flows from operating, investing or financing activities.

The cash flow from operating activities is derived indirectly from the earnings before taxes. Specifically, the figure for earnings before taxes is adjusted for income tax payments, finance costs and finance revenue, interest income from operating activities, changes in obligations from post-employment benefits, non-cash amortization, depreciation, impairment and reversals of impairment as well as losses and gains on the disposal of non-current assets and other non-cash expenses and income.

The effects of acquisitions and other changes in the consolidated group have been eliminated. When purchased subsidiaries are included for the first time, only the actual cash flows are shown in the consolidated statement of cash flows. Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand and bank balances as well as highly liquid short-term investments and other cash equivalents.

The effects of acquisitions and other changes in the consolidated group on the consolidated statement of cash flows have been considered separately. We refer to "C. Consolidated group".

K. List of shareholdings

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Albania		
Würth Albania Ltd.	Tirana	100
Argentina		
Wumet Argentina S.A.	Canuelas	100
Würth Argentina S.A.	Canuelas	100
Armenia		
Würth LLC	Yerevan	100
Australia		
Würth Australia Pty Ltd	Dandenong South	100
Austria		
Würth Handelsgesellschaft m.b.H.	Böheimkirchen	100
Azerbaijan		
Wurth Azerbaijan LLC	Baku	100
Belarus		
FLLC "WurthBel"	Minsk	100
Belgium		
Würth België N.V.	Turnhout	100
Bolivia		
Wurth Bolivia S.r.l.	Santa Cruz de la Sierra	100
Bosnia and Herzegovina		
WURTH BH d.o.o.	Sarajevo	100
Brazil		
Wurth do Brasil Peças de Fixação Ltda.	Cotia	100
Bulgaria		
Würth Bulgarien EOOD	Sofia	100
Cambodia		
Wuerth (Cambodia) Ltd.	Phnom Penh	100
Canada		
McFadden's Hardwood & Hardware Inc.	Oakville	100
Würth Canada Ltd., Ltée	Guelph	100
Chile		
Würth Chile Ltda.	Santiago de Chile	100
China		
Wuerth (Shenyang) Hardware & Tools Co., Ltd.	Shenyang	100
Wuerth (Tianjin) International Trade Co., Ltd.	Tianjin	100
China		
Würth (Chongqing) Hardware & Tools Co., Ltd.	Chongqing	100
Würth (Guangzhou) International Trading Co., Ltd.	Guangzhou	100
Wurth Hong Kong Co., Ltd.	Hong Kong	100
Colombia		
Würth Colombia SA	Bogotá	100
Costa Rica		
Würth Costa Rica, S.A.	La Uruca, San José	100
Croatia		
Würth-Hrvatska d.o.o.	Zagreb	100
Czech Republic		
Würth, spol. s r.o.	Nepřevázka	100
Würth MASTERSERVICE CZ, spol. s r.o.	Prague	100
Denmark		
Würth Danmark A/S	Kolding	100
Dominican Republic		
Würth Dominicana S.A.	Santo Domingo	100
Ecuador		
WURTH ECUADOR S.A.	Quito	100
Estonia		
Aktsiaselts Würth	Tallinn	100
Finland		
Würth Oy	Riihimäki	100
France		
Würth France SA	Erstein	95
Würth Modyf France S.A.R.L.	Erstein	100
Georgia		
Würth Georgia Ltd.	Tiflis	100
Germany		
Würth Modyf GmbH & Co. KG	Künzelsau	100
Greece		
Wurth Hellas S.A.	Kryoneri, Attiki	100
Hungary		
Würth Szereléstechnika KFT	Budaörs	100

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Iceland		
Würth á Íslandi ehf.	Garðabær	100
India		
Wuerth India Pvt. Ltd.	Mumbai	100
Indonesia		
Wuerth Indonesia P.T.	Jakarta	99
Iran		
Würth Teheran Ltd.	Teheran	100
Ireland		
Würth (Ireland) Limited	Limerick	100
Israel		
Würth Israel Ltd.	Caesarea	100
Italy		
Modyf S.r.l.	Tramin	100
Würth S.r.l.	Neumarkt	100
Japan		
Würth Japan Co., Ltd.	Yokohama	100
Jordan		
Wurth - Jordan Co. Ltd.	Amman	100
Kazakhstan		
Wuerth Kazakhstan Ltd.	Almaty	100
Kenya		
Wuerth Kenya Ltd.	Nairobi	100
Kosovo		
Würth-Kosova Sh.p.k.	Gračanica	100
Kyrgyzstan		
Würth Foreign Swiss Company Ltd.	Bishkek	100
Latvia		
SIA Wurth	Riga	100
Lebanon		
Wurth Lebanon SAL	Beirut	100
Lithuania		
Wurth Lietuva	Ukmerge	100
Macedonia		
Wurth Makedonija DOOEL	Skopje	100

Entity	Registered office	Würth Group share in %
Malaysia		
Wuerth (Malaysia) Sdn. Bhd.	Johor Bahru	100
Malta		
Würth Limited	Zebbug	99
Martinique		
Würth Caraïbes SARL	Ducos	100
Mexico		
Würth México S.A. de C.V.	Morelos	100
Moldova		
Wurth S.R.L.	Chisinau	100
Mongolia		
Wuerth Mongolia LLC	Ulan Bator	100
Montenegro		
Wurth d.o.o. Podgorica	Podgorica	100
Namibia		
Wurth Namibia	Windhoek	100
Netherlands		
Würth Nederland B.V.	’s-Hertogenbosch	100
New Zealand		
Wurth New Zealand Ltd.	Auckland	100
Norway		
Würth Norge AS	Hagan	100
Panama		
Würth Centroamérica S.A.	Panama City	100
Peru		
Würth Perú S.A.C.	Lima	100
Philippines		
Wuerth Philippines, Inc.	Laguna	100
Poland		
Würth Polska Sp. z o.o.	Warsaw	100
Portugal		
Würth (Portugal) Técnica de Montagem Lda.	Sintra	100
Würth Modyf Lda.	Sintra	100
Romania		
Würth Romania S.R.L	Otopeni	100

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Russia		
"Würth Eurasien" Aktiengesellschaft	Yekaterinburg	100
Wuerth North-West JSC	St. Petersburg	100
Würth Russia	Moscow	100
Serbia		
Wurth d.o.o.	Belgrade	100
Slovakia		
Hommel Hercules France, s.r.o.	Bratislava	100
Würth spol. s r.o.	Bratislava	100
Slovenia		
Würth d.o.o.	Trzin	100
Spain		
WÜRTH CANARIAS, S.L.	Las Palmas	100
Würth España, S.A.	Palau-solità i Plegamans	100
Würth Modyf S.A.	Palau-solità i Plegamans	100
South Africa		
Wuerth South Africa (Pty.) Ltd.	Gauteng	100
South Korea		
Wurth Korea Co., Ltd.	Hanam	100
Sri Lanka		
Wurth Lanka (Private) Limited	Nugegoda	100
Sweden		
Würth Svenska AB	Örebro	100
Switzerland		
Würth AG	Arlesheim	100

Entity	Registered office	Würth Group share in %
Taiwan		
Würth Taiwan Co. Ltd.	Miaoli	100
Thailand		
Wuerth (Thailand) Company, Limited	Bangkok	100
Turkey		
Würth Sanayi Ürünleri Tic. Ltd. Sti.	Mimarsinan	100
Ukraine		
Würth Ukraine Ltd.	Vyshgorod	100
United Arab Emirates		
Würth Gulf FZE	Dubai	100
United Kingdom		
Wurth (Northern Ireland) Ltd.	Belfast	100
Würth U.K. Ltd.	Erith	100
Uruguay		
Wurth del Uruguay S.A.	Barros Blancos	100
USA		
Oliver H. Van Horn Co., LLC	New Orleans, Louisiana	100
Wurth Action Bolt & Tool Co.	Riviera Beach, Florida	100
Wurth Baer Supply Co.	Vernon Hills, Illinois	100
Wurth Louis and Company	Brea, California	100
Wurth USA Inc.	Ramsey, New Jersey	100
Wurth Wood Group Inc.	Charlotte, North Carolina	100
Vietnam		
Wurth Vietnam Company Limited	Ho-Chi-Minh City	100

WÜRTH LINE INDUSTRY

Entity	Registered office	Würth Group share in %
Australia		
Thomas Warburton Pty. Ltd.	Dandenong South	100
Belgium		
Würth Industry Belgium N.V.	Grâce-Hollogne	100
Würth Industry Belux S.A.	Grâce-Hollogne	100
Brazil		
SW Industry Peças de Fixação Ltda.	São Bernardo do Campo	100
Canada		
Wurth Industry of Canada Ltd.	Indianapolis	100
China		
Arvid Nilsson Logistics & Trade (Shanghai) Co., Ltd.	Shanghai	100
WASI Tianjin Fastener Co., Ltd.	Tianjin	100
Wuerth (China) Co., Ltd.	Shanghai	100
Wuerth Baier & Michels (Shanghai)		
Automotive Fastener Co., Ltd.	Shanghai	100
Denmark		
Würth Industri Danmark A/S	Kolding	100
France		
Würth Industrie France S.A.S.	Erstein	100
Germany		
Baier & Michels GmbH & Co. KG	Ober-Ramstadt	100
Würth Industrie Service GmbH & Co. KG	Bad Mergentheim	100
India		
Wuerth Industrial Services India Pvt. Ltd.	Pune	100
Italy		
Baier & Michels S.r.l.	Padua	100
Malaysia		
Wuerth Industrial Services Malaysia Sdn. Bhd.	Subang Jaya	100
Mexico		
Wuerth Baier & Michels México S.A.de C.V.	Querétaro	100
Wurth Industry de Mexico S. de R.L. de C.V.	Reynosa	100
Würth McAllen Maquila Services S de RL de CV	Reynosa	100

Entity	Registered office	Würth Group share in %
Mexico		
Würth Service Supply de Mexico	Indianapolis	100
New Zealand		
EDL Fasteners Ltd.	Manukau	100
Norway		
Würth Industri Norge A/S	Dokka	100
Romania		
S.C. Wurth Industrie S.r.l.	Otopeni	100
Sweden		
Würth Industri Sverige AB	Askim	100
Spain		
Wuerth Baier & Michels España, S.A.	Sat Quirze del Vallès	100
Würth Industria España, S.A.	Barcelona	100
South Africa		
Action Bolt (Pty.) Ltd.	Durban	100
South Korea		
Korea Fasteners Ltd.	Gyeonggi-Do	100
Turkey		
Würth Baier & Michels Otomotiv Türkiye Ltd. Şti.	Bursa	100
Würth Industrie Service Endüstriyel		
Hizmetler Pazarlama Limited Sirketi	Silivri	100
USA		
Baier & Michels USA Inc.	Greer, South Carolina	100
Marine Fasteners Inc.	Sanford, Florida	100
Northern Safety Company, Inc.	Frankfort, New York	100
Würth Adams Nut & Bolt Company	Brooklyn Park, Minnesota	100
Wurth Des Moines Bolt Inc.	Des Moines, Iowa	100
Wurth House of Threads Inc.	Wilmington, Delaware	100
Wurth RevCar Fasteners, Inc.	Roanoke, Virginia	100
Wurth Snider Bolt and Screw, Inc.	Louisville, Kentucky	100
Wurth Timberline Fasteners Inc.	Commerce City, Colorado	100
Wurth/Service Supply Inc.	Indianapolis, Indiana	100

ELECTRICAL WHOLESALE

Entity	Registered office	Würth Group share in %
Czech Republic		
Elfetex spol. s r.o.	Pilsen	100
Estonia		
W.EG Eesti OÜ	Tallinn	100
Germany		
FEGA & Schmitt Elektrogroßhandel GmbH	Ansbach	100
Lichtzentrale Lichtgroßhandel GmbH	Ansbach	100
UNI ELEKTRO Fachgroßhandel GmbH & Co. KG	Eschborn	100
Walter Kluxen GmbH	Hamburg	100
Italy		
MEF S.r.l.	Florence	65
W.EG Italia S.r.l.	Tramin	100

Entity	Registered office	Würth Group share in %
Latvia		
SIA Baltjas Elektro Sabiedriba	Riga	100
Lithuania		
UAB ELEKTROBALT	Vilnius	100
Poland		
Elektroskandia Polska Sp. z o. o.	Poznan	100
Fega Poland Sp. z o.o.	Wrocław	100
W.EG Polska Sp. z o. o.	Wrocław	100
Slovakia		
HAGARD: HAL, spol. s r.o.	Nitra	100

TRADE

Entity	Registered office	Würth Group share in %
Belgium		
CONMETALL N.V.	Mechelen	100
Duvimex Belgium BvbA	Edegem	100
China		
DIY Products Asia Ltd.	Hong Kong	100
Meister Tools Trading (Shanghai) Co., Ltd.	Shanghai	100
Czech Republic		
CONMETALL spol. s r.o.	Opava	100
Finland		
Ares Oy Nikotips	Espoo	100
France		
Meister France S.A.S.	Strasbourg	100
SWG France SARL	Forbach	100
Germany		
Arnold & Shinjo GmbH & Co. KG	Dörzbach	100
CONMETALL GmbH & Co. KG	Celle	100
Conpac GmbH & Co. KG	Celle	100
Glessdox GmbH & Co. KG	Untermünkheim	100
IMS-Verbindungstechnik GmbH & Co. KG	Neuenstein	100

Entity	Registered office	Würth Group share in %
Germany		
IVT Installations- und Verbindungstechnik GmbH & Co. KG	Rohr	100
KERONA GmbH	Öhringen	100
Meister Werkzeuge GmbH	Wuppertal	100
Schössmetall GmbH & Co. KG	Freilassing	100
Teudeloff GmbH & Co. KG	Waldenburg	100
Hungary		
REISSER Csavar Kft	Szár	100
Van Roij Fasteners Hungaria Kft.	Dunaharaszti	100
Italy		
Masidef S.r.l.	Caronno Pertusella	100
Unifix SWG S.r.l.	Terlano	100
Netherlands		
Van Roij Fasteners Europe B.V.	Deurne	100
Norway		
Arvid Nilsson Norge AS	Oslo	100
Synfiber AS	Oslo	100

TRADE

Entity	Registered office	Würth Group share in %
Poland		
REISSER - POL Sp. z o.o.	Poznan	100
Romania		
REISSER TEHNIC S.R.L. Filiala Romania	Cluj Napoca	100
Russia		
IVT Ural, O.O.O.	Bolshoj Istok	100
Spain		
Reisser Tornillería SLU	Barcelona	100

Entity	Registered office	Würth Group share in %
Spain		
RUC Holding Conmetall S.A.	Barcelona	100
SWG Schraubenwerk Gaisbach Espana, S.L.U.	Barcelona	100
Sweden		
Arvid Nilsson Sverige AB	Kungälv	100
Switzerland		
Reinhold Handels AG	Chur	100

PRODUCTION

Entity	Registered office	Würth Group share in %
Australia		
Grass Australia/New Zealand Pty Ltd.	Coburg	100
Austria		
Grass GmbH	Höchst	100
Schmid Schrauben Hainfeld GmbH	Hainfeld	100
Canada		
Grass Canada Inc.	Toronto	100
China		
Arnold Fasteners (Shenyang) Co., Ltd.	Shenyang	100
Grass (Shanghai) International Trading Co., Ltd.	Shanghai	100
Czech Republic		
GRASS CZECH s.r.o.	Cesky Krumlov	100
Denmark		
Dokka Fasteners A/S	Kolding	100
France		
Arnold Technique France	Anneyron	100
Germany		
Adolf Menschel Verbindungstechnik GmbH & Co. KG	Plettenberg	100
Arnold Umformtechnik GmbH & Co. KG	Forchtenberg	100
BB Stanz- und Umformtechnik GmbH	Berga	100

Entity	Registered office	Würth Group share in %
Germany		
Chemofast Anchoring GmbH	Willich-Münchheide	100
Dringenberg GmbH Betriebseinrichtungen	Obersulm	100
FELO-Werkzeugfabrik Holland-Letz GmbH	Neustadt	100
Grass GmbH & Co. KG	Reinheim	100
Grass Vertriebs GmbH Deutschland	Ofterdingen	100
Hetalco GmbH	Alpirsbach	100
Hetal-Werke Franz Hettich GmbH & Co. KG	Alpirsbach	100
MKT Metall-Kunststoff-Technik GmbH & Co KG	Weilerbach	100
REISSER Schraubentechnik GmbH (1)	Ingelfingen	100
SWG Schraubenwerk Gaisbach GmbH (1)	Waldenburg	100
TOGE Dübel GmbH & Co. KG	Nuremberg	100
Werkzeugtechnik Niederstetten GmbH & Co.KG	Niederstetten	100
Hungary		
Felo Szerszámgyár Kft.	Eger	100
Italy		
Grass Italia SRL	Pordenone	100
Norway		
Dokka Fasteners AS	Dokka	100
Poland		
Dringenberg Polska Sp. z o.o.	Zagan	100

On (1): These entities also operate in the Trade segment.

PRODUCTION

Entity	Registered office	Würth Group share in %
South Africa		
Grass ZA (Pty.) Ltd.	Montague Gardens	100
Spain		
Grass Iberia, S.A.	Elgeta	100
Sweden		
Grass Nordiska AB	Jönköping	100
Switzerland		
InovaChem Engineering AG	Wetzikon	100
KMT Kunststoff- und Metallteile AG	Hinwil	100

Entity	Registered office	Würth Group share in %
Turkey		
Grass TR Mobilya Aksesuarlari Ticaret		
Limited Sirketi	Istanbul	100
United Kingdom		
Grass Movement Systems Ltd	West Bromwich	100
Tooling International Ltd.	Solihull	100
USA		
Arnold Fastening Systems, Inc.	Auburn Hills, Michigan	100
Dokka Fasteners Inc.	Auburn Hills, Michigan	100
Grass America, Inc.	Kernersville, North Carolina	100
MKT Fastening L.L.C.	Lonoke, Arkansas	100

ELECTRONICS

Entity	Registered office	Würth Group share in %
Austria		
Würth Elektronik Österreich GmbH	Singapore	100
Bulgaria		
Würth Elektronik iBE BG EOOD	Belozem	100
China		
Stelvio Kontek Limited	Hong Kong	100
Wuerth Electronic Tianjin Co., Ltd.	Tianjin	100
Wurth Electronics (Chongqing) Co., Ltd.	Chongqing	100
Wurth Electronics (HK) Limited	Hong Kong	100
Wurth Electronics (Shenyang) Co., Ltd.	Shenyang	100
Wurth Electronics (Shenzhen) Co., Ltd	Shenzhen	100
Czech Republic		
Würth Elektronik eiSos Czech s.r.o.	Brünn	100
Würth Elektronik IBE CZ s.r.o.	Budweis	100
Finland		
Würth Elektronik Oy	Nurmijärvi	100
France		
Würth Elektronik France SAS	Jonage	100

Entity	Registered office	Würth Group share in %
Germany		
AMBER wireless GmbH	Trier	100
Erwin Büchele GmbH & Co. KG	Esslingen am Neckar	100
PARAVAN GmbH	Pfronstetten-Aichelau	51
Würth - Elektronik GmbH & Co KG	Niedernhall	94
Würth Elektronik eiSos GmbH & Co. KG	Waldenburg	100
Würth Elektronik iBE GmbH	Thyrnau	100
Würth Elektronik ICS GmbH & Co. KG	Niedernhall	100
Hungary		
Würth Elektronik Hungary Kft.	Budapest	100
SIME Elektronikai Gyártó és Forgalmazó Kft.	Tab	75
India		
Wuerth Elektronik CBT India Private Limited	Mysore	100
Wuerth Elektronik India Pvt Ltd	Bangalore	100
Wurth Electronics Services India Private Limited	Bangalore	100
Italy		
Wuerth Elektronik Stelvio Kontek S.p.A.	Oggiono	100
Würth Elektronik Italia s.r.l.	Cormano	100

ELECTRONICS

Entity	Registered office	Würth Group share in %
Mexico		
Wemsa S.A. de C.V.	Irapuato	100
Würth Elektronik Mexico S.A. de C.V.	Irapuato	100
Netherlands		
Würth Elektronik Nederland B.V.	's-Hertogenbosch	100
Poland		
Würth Elektronik Polska sp. z o. O	Wrocław	100
Romania		
sc STM Elettromeccanica S.r.l.	Blaj	100
Singapore		
Wurth Electronics Singapore Pte. Ltd.	Singapore	100
Spain		
Würth Elektronik España, S.L.	Barcelona	100
Sweden		
Würth Elektronik Sweden AB	Enköping	100

Entity	Registered office	Würth Group share in %
Switzerland		
Würth Elektronik (Schweiz) AG	Volketswil	100
Taiwan		
Wurth Electronics Co., Ltd.	Taipeh	100
Würth Elektronik eiSos GmbH&Co KG		
Taiwan Branch	Taipeh	100
Turkey		
Würth Elektronik Ithalat Ihracat ve Ticaret Ltd. Sti.	Ümraniye	100
United Kingdom		
Würth Electronics UK Ltd.	Manchester	100
USA		
Wurth Electronics ICS, Inc.	Dayton, Ohio	100
Wurth Electronics Midcom Inc.	Watertown, South Dakota	100

RECA GROUP

Entity	Registered office	Würth Group share in %
Austria		
Kellner & Kunz AG	Vienna	100
Belgium		
Reca Belux	Ternat	100
Bosnia and Herzegovina		
RECA d.o.o., Sarajevo	Sarajevo	100
Bulgaria		
Reca Bulgaria EOOD	Sofia	100
China		
reca (Shanghai) Intern. Trading Co., Ltd.	Shanghai	100
Croatia		
reca d.o.o.	Varazdin	100
Czech Republic		
Normfest s.r.o.	Prague	90

Entity	Registered office	Würth Group share in %
Czech Republic		
reca spol. s r.o.	Brünn	100
France		
Reca Union France	Mundolsheim	75
Germany		
Normfest GmbH	Velbert	100
Reca Norm GmbH	Kupferzell	100
Siller & Laar Schrauben- Werkzeug-		
und Beschläge-Handel GmbH & Co. KG	Augsburg	100
Hungary		
Reca KFT	Budapest	100
Italy		
FIME S.r.l.	Belfiore	100
Reca Italia S.r.l.	Gazzolo d'Arcole	100

RECA GROUP

Entity	Registered office	Würth Group share in %
Italy		
SCAR S.r.l.	Bussolengo	100
Netherlands		
A.J. Steenkist-Rooijmans B.V.	Eindhoven	100
Poland		
Normfest Polska Sp. z o.o.	Poznan	100
reca Polska Sp. z o.o.	Cracow	100
Romania		
Reca Bucuresti S.R.L.	Bucharest	100
Serbia		
reca d.o.o. Beograd	Belgrade	100
Slovakia		
reca Slovensko s.r.o.	Bratislava	100

Entity	Registered office	Würth Group share in %
Slovenia		
Reca D.O.O.	Pesnica pri Mariboru	100
Spain		
reca Hispania S.A.U.	Aldaya	100
Switzerland		
Airproduct AG	Oberwil-Lieli	100
Reca AG	Samstagern	100
Turkey		
Reca Vida Alet ve Makine Parc. Tic. Ltd. Sti.	Izmir	100
United Kingdom		
reca-uk ltd	West Bromwich	100

TOOLS

Entity	Registered office	Würth Group share in %
Austria		
Hommel & Seitz GmbH	Vienna	100
Metzler GmbH & Co. KG	Rankweil	100
Bulgaria		
Hahn i Kolb Instrumenti EOOD	Sofia	100
China		
HAHN + KOLB (Tianjin) International Trade Co., Ltd.	Tianjin	100
HAHN+KOLB (Chongqing) Tools Co., Ltd.	Chongqing	100
HAHN+KOLB (Guangzhou) Tools Co., Ltd.	Guangzhou	100
Czech Republic		
HHW-Hommel Hercules Werkzeughandel CZ/SK s.r.o.	Prague	100
Germany		
HAHN+KOLB Werkzeuge GmbH	Ludwigsburg	100
Hommel Hercules-Werkzeughandel GmbH & Co. KG	Viernheim	100
SARTORIUS Werkzeuge GmbH & Co. KG	Ratingen	100
SVH Handels-GmbH	Dortmund	100
Hungary		
HAHN + KOLB Hungaria Kft.	Budapest	100

Entity	Registered office	Würth Group share in %
India		
HAHN+KOLB Tools Pvt. Ltd.	Pune	100
Mexico		
HAHN+KOLB Mexico S. de R.L. de C.V.	Puebla	100
Poland		
HAHN + KOLB POLSKA Sp. z o.o.	Poznan	100
HHW Hommel Hercules PL Sp. z o.o.	Katowice	100
Romania		
HAHN+KOLB ROMANIA SRL	Otopeni	100
Russia		
OOO Hahn+Kolb	Moscow	100
Serbia		
Hahn + Kolb d.o.o. Beograd	Belgrade	100
Turkey		
HAHN KOLB Endüstri Ürünleri Tic. Ltd. Sti	Istanbul	100
United Kingdom		
Monks & Crane Industrial Group Limited	Wednesbury	100

CHEMICALS

Entity	Registered office	Würth Group share in %
Austria		
TUNAP Cosmetics GmbH	Kematen in Tyrol	51
Tunap Cosmetics Liegenschaften GmbH	Kematen in Tyrol	51
TUNAP chemisch-technische Produkte Produktions- und Handelsgesellschaft m.b.H.	Vienna	67
Belgium		
Tunap Benelux nv	Lokeren	100
Brazil		
AP Winner Indústria e Comércio de Produtos Químicos Ltda.	Ponta Grossa	100
TUNAP do Brasil Comércio de Produtos Químicos Ltda.	São Paulo	67
China		
AP Winner (Changzhou) Chemical Technology Co., Ltd.	Changzhou	100
Tunap (Shanghai) International Trading Co., Ltd.	Shanghai	67
France		
Tunap France SAS	Dachstein	67
Germany		
Dinol GmbH	Lügde	100
Kisling (Deutschland) GmbH	Bad Mergentheim	100
TUNAP Deutschland Vertriebs-GmbH & Co. Betriebs-KG	Wolfratshausen	51
TUNAP Industrie Chemie GmbH & Co. Produktions KG	Wolfratshausen	100
TUNAP Sports GmbH	Munich	100
YOUR OWN BRAND GmbH & Co. KG	Regensburg	100
Indonesia		
PT. TUNAP INDONESIA	Jakarta	67

Entity	Registered office	Würth Group share in %
Italy		
Tunap Italia S.r.l.	Terlano	67
Your Own Brand S.R.L.	Milan	100
Netherlands		
Diffutherm B.V.	Hapert	100
Norway		
Tunap Norge AS	Hagan	67
Poland		
TUNAP Polska Sp. Z o.o.	Warsaw	67
Russia		
TUNAP Russia OOO	Moscow	67
Singapore		
TUNAP Asia-Pacific Pte. Ltd.	Singapore	67
Spain		
Tunap Productos Quimicos S.A.	Barcelona	67
Sweden		
Tunap Sverige AB	Sollentuna	67
Switzerland		
Kisling AG	Wetzikon	100
TUNAP AG	Märstetten	51
Turkey		
Tunap Kimyasal Ürünler Pazarlama Ltd. Sti.	Istanbul	67
United Kingdom		
Tunap (UK) Limited	Tonbridge	67
YOUR OWN BRAND UK Ltd.	North Somerset	100
USA		
Dinol U.S. Inc.	Wilmington, Delaware	100

SCREWS AND STANDARD PARTS

Entity	Registered office	Würth Group share in %
Australia		
James Glen Pty Ltd	Lidcombe	100
Austria		
WASI-Rostfrei Schraubenhandelsges. mbH	Vienna	100
Belgium		
FASTINOX N.V.	Turnhout	100
HSR Belgium S.A./N.V.	Turnhout	100
Bulgaria		
Wasi Bulgarien EOOD	Sofia	100
China		
WASI (SHANGHAI) FASTENER TRADING CO., LTD.	Shanghai	100
Croatia		
WASI d.o.o.	Zagreb	100
Denmark		
WASI Inox Danmark ApS	Kolding	100
Estonia		
Ferrometal Baltic OÜ	Tallinn	100
Finland		
Ferrometal Oy	Nurmijärvi	100
France		
INTER-INOX Sarl	Meyzieu	100

Entity	Registered office	Würth Group share in %
Germany		
HSR GmbH Hochdruck Schlauch + Rohr		
Verbindungen	Neukirchen-Vluyn	100
INDUNORM Hydraulik GmbH	Neukirchen-Vluyn	100
Sonderschrauben Güldner GmbH & Co. KG	Niederstetten	100
Wagener & Simon WASI GmbH & Co. KG	Wuppertal	100
WASI International GmbH	Wuppertal	100
Greece		
Inox Mare Hellas SA	Thessaloniki	100
Italy		
HSR Italia S.r.l.	Verona	100
Inox Mare S.r.l.	Rimini	100
Inox Tirrenica S.r.l.	Fiumicino	100
Spinelli s.r.l	Terlano	100
Serbia		
WASI d.o.o.	Belgrade	100
Switzerland		
Modal Inox AG	Arlesheim	100
Turkey		
Inox Ege Metal Ürünleri Dis Ticaret Limited Sirketi	Beylikdüzü	100

FINANCIAL SERVICES

Entity	Registered office	Würth Group share in %
Austria		
Würth Leasing GmbH	Böheimkirchen	100
Denmark		
Würth Leasing Danmark A/S	Kolding	100
Germany		
Internationales Bankhaus Bodensee AG	Friedrichshafen	94
Waldenburger Versicherung AG	Künzelsau	100
Würth Immobilien-Leasing GmbH & Co.KG	Albershausen	100
Würth Leasing GmbH & Co. KG	Albershausen	100
Würth Versicherungsdienst GmbH & Co. KG	Künzelsau	100

Entity	Registered office	Würth Group share in %
Italy		
Würth Leasing Italia S.r.l.	Neumarkt	100
Luxembourg		
Würth Reinsurance Company, S.A.	Luxembourg	100
Netherlands		
Würth Finance International B.V.	's-Hertogenbosch	100
Switzerland		
Würth Financial Services AG	Rorschach	100
Würth Invest AG	Chur	100
Würth Leasing AG	Dietikon	100

IT SERVICE AND HOLDING COMPANIES

Entity	Registered office	Würth Group share in %
Austria		
Würth Beteiligungen Ges.m.b.H.	Böheimkirchen	100
Würth Leasing International Holding GmbH	Böheimkirchen	100
RuC Holding GmbH	Böheimkirchen	100
China		
Comgroup Information Technology (Shanghai) Co., Ltd.	Shanghai	100
Wuerth (China) Holding Co., Ltd.	Shanghai	100
Germany		
Reinhold Würth Holding GmbH	Künzelsau	100
UNI ELEKTRO Handels- und Beteiligungs-GmbH	Eschborn	100
WABCOWÜRTH Workshop Services GmbH	Künzelsau	50
WOW ! Würth Online World GmbH	Künzelsau	100
Würth IT GmbH	Bad Mergentheim	100
Würth IT International GmbH & Co. KG	Bad Mergentheim	100
Hungary		
Würth Phoenix KFT	Budaörs	100
India		
Wurth Information Technology India Private Limited	Pune	100

Entity	Registered office	Würth Group share in %
Italy		
Würth Phoenix S.r.l.	Bolzano	100
Mauritius		
Wurth Electronics Midcom International Holdings (Mauritius) LTD	Port Louis	100
Sweden		
Autocom Diagnostic Partner AB	Trollhättan	100
Switzerland		
Würth Elektronik International AG	Chur	100
Würth International AG	Chur	99
Würth ITensis AG	Chur	100
Würth Management AG	Rorschach	100
United Kingdom		
Wurth Holding UK Ltd	Kent	100
USA		
Wurth Electronics Inc.	Ramsey, New Jersey	100
Wurth Group of North America Inc.	Ramsey, New Jersey	100
Wurth Industry North America LLC	Ramsey, New Jersey	100
Wurth IT USA Inc.	Ramsey, New Jersey	100
Würth Wood-Division Holding LLC	Ramsey, New Jersey	100

DIVERSIFICATION

Entity	Registered office	Würth Group share in %
Austria		
marbet GmbH	Vienna	100
China		
Wuerth International Trading (Shanghai) Co., Ltd.	Shanghai	100
Germany		
EOS KSI Forderungsmanagement GmbH & Co. KG	Künzelsau	50
Flugplatz Schwäbisch Hall GmbH	Schwäbisch Hall	98
Marbet Marion & Bettina Würth GmbH & Co. KG	Künzelsau	100
Panorama Hotel- und Service GmbH	Waldenburg	100
WLC Würth-Logistik GmbH & Co. KG	Künzelsau	100
WSS Würth Shared Services GmbH	Künzelsau	100
WUCATO Marketplace GmbH	Stuttgart	100
Würth Aviation GmbH	Künzelsau	100
Würth Logistics Deutschland GmbH	Bremen	100
Würth TeleServices GmbH & Co. KG	Künzelsau	100

Entity	Registered office	Würth Group share in %
Malaysia		
Wurth Logistics Asia-pacific Sdn. Bhd.	Subang Jaya	100
Slovakia		
Würth International Trading s. r. o.	Bratislava	100
Spain		
FINCA INTERMINABLE, S.L.	Maspalomas	100
marbet Viajes Espana S. A.	Barcelona	100
Switzerland		
Lagerhaus Landquart AG	Landquart	100
Würth Logistics AG	Rorschach	100
Würth Promotional Concepts AG	Chur	100
USA		
Wurth International Trading America, Inc.	Ramsey, New Jersey	100
Wurth Logistics USA Inc.	Indianapolis, Indiana	100

OTHER ENTITIES

Entity	Registered office	Würth Group share in %
Australia		
EDL Fasteners Pty. Ltd.	Eastern Creek	100
Austria		
Metzler GmbH	Rankweil	100
Belgium		
DIN-FIX SA/NV	Eupen	100
Würth Belux N.V.	Turnhout	100
Brazil		
Wurth Energia Solar do Brasil Ltda.	Cotia	100

Entity	Registered office	Würth Group share in %
Bulgaria		
Meister Bulgaria	Sofia	100
China		
Midcom-Hong Kong Limited	Hong Kong	100
munich one live communications Co., Ltd.	Beijing	100
Cyprus		
Wurth Cyprus Ltd.	Nicosia	100

OTHER ENTITIES

Entity	Registered office	Würth Group share in %
Germany		
"METAFRANC" Möbel- u. Baubeschläge Vertriebsgesellschaft mbH	Wuppertal	100
Abraham Diederichs GmbH & Co. oHG	Wuppertal	100
AHD Auto-Hifi & -Design GmbH	Künzelsau	100
E 3 Energie Effizienz Experten GmbH	Künzelsau	100
Erbschloe Werkzeug Vertriebsgesellschaft mbH	Wuppertal	100
ESB Grundstücksverwaltungsgesellschaft mbH	Eschborn	100
EuroSun GmbH	Freiburg im Breisgau	45
FANDUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Willich KG	Pullach im Isartal	94
Grass Verwaltungs GmbH	Reinheim	100
Grundstücksgesellschaft Berlin Chemnitz Erfurt GbR	Künzelsau	49
Grundstücksgesellschaft Cottbus Magdeburg GbR	Künzelsau	49
Hettich-Verwaltungsgesellschaft mbH	Alpirsbach	100
KOSY Gesellschaft zur Förderung des holzverarbeitenden Handwerks mbH	Künzelsau	100
Meister-Werkzeuge, Werkzeugfabrik Vertriebsgesellschaft mbH	Wuppertal	100
MKT Metall-Kunststoff-Technik Beteilungsgesellschaft mbH	Weilerbach	100
nordberliner Elektro-Großhandels-Gesellschaft mbH	Eschborn	100
PIRUS Grundstücksgesellschaft mbH & Co. oHG	Albershausen	100
PIRUS Grundstücks-Verwaltungsgesellschaft mbH	Albershausen	100
Pronto-Werkzeuge GmbH	Wuppertal	100
Schmitt Elektrogroßhandel GmbH	Fulda	100
SCREXS GmbH	Waldenburg	100
Sonderschrauben Hamburg GmbH Eiben & Co.	Künzelsau	100
SYNFIBER AS & Co. beschränkt haftende KG	Worms	100
TUNAP Deutschland Vertriebs-GmbH	Wolfratshausen	51
TUNAP Industrie Chemie GmbH	Wolfratshausen	100
WPS Beteiligungen GmbH	Künzelsau	100
Würth GmbH & Co. KG Grundstücksgesellschaft	Künzelsau	100

Entity	Registered office	Würth Group share in %
Germany		
Würth Logistic Center Europe GmbH	Künzelsau	100
Würth Montagetechnik GmbH	Dresden	100
Greece		
Würth Solar Hellas Anonimi Eteria of Services for Production of Electric Energy from Solar Energy	Kryoneri, Attiki	100
India		
HAHN+KOLB TOOLS Chennai Pvt Ltd	Chennai	100
Indonesia		
P.T. Wuerth Indah	Jakarta	100
Italy		
Würth Solar Italia s.r.l.	Campodarsego	100
Malta		
Würth Mediterranean Limited	Zebbug	100
Morocco		
Würth Maroc SARL	Casablanca	100
Netherlands		
Normfest Nederland B.V.	Well	100
Pakistan		
Würth Pakistan (Private) Limited	Karachi	100
Spain		
Isa Eolica S.L.	Madrid	100
marbet Servicios Creativos S.A.	Barcelona	100
WS Murcia Anbesol PM S.L.	Madrid	100
Würth Industrie Logistik Espana S.A.	Vitoria	100
United Kingdom		
Anchorfast Limited	Wednesbury	100
Monks & Crane (Holdings) Limited	Wednesbury	100
Winzer Würth Industrial Ltd.	Erith	100
USA		
Cardinal Fastener Inc.	Bedford Heights, Ohio	100
R. W. Ramsey Realty Corporation	Ramsey, New Jersey	100
Session Solar USA, Inc.	Ramsey, New Jersey	100

L. The boards

Advisory Board

The Advisory Board is the supreme supervisory and controlling body of the Würth Group. It advises on strategy, approves corporate planning as well as the use of funds. It appoints the members of the Central Managing Board, the Executive Vice Presidents as well as the managing directors of the companies that generate the most sales.

(As of: December 31, 2016)

Bettina Würth
Chairwoman of the Advisory Board
of the Würth Group

Dr. Frank Heinricht
Deputy Chairman of the
Advisory Board of the Würth Group
Chairman of the Management Board
of Schott AG, Mainz

Peter Edelmann
Managing Partner of
Edelmann & Company, Ulm

Dr. Ralph Heck
Director emeritus at
McKinsey & Company,
Düsseldorf

Hartmut Jenner
(up until October 24, 2016)
Chief Executive Officer
Chairman of the Management Board
of Alfred Kärcher GmbH & Co. KG,
Winnenden

Wolfgang Kirsch
Chief Executive Officer of
DZ BANK AG, Frankfurt / Main

Jürg Michel
Former Member of the Central
Managing Board of the Würth Group

Ina Schlie
SAP SE, Walldorf
Member of the Supervisory Board
and Chair of the Audit Committee at
QSC AG, Cologne
Member of the Supervisory Board of
Theo Müller S.e.c.s., Luxembourg

Dr. Martin H. Sorg
Certified Public Accountant and
Partner of the law firm Binz & Partner,
Stuttgart

Honorary Chairman of the Advisory Board

Prof. Dr. h. c. mult. Reinhold Würth
Chairman of the Supervisory Board
of the Würth Group's Family Trusts

Honorary members of the Advisory Board

Rolf Bauer
Former Member of the
Central Managing Board
of the Würth Group

Dr. Bernd Thiemann
Former Chairman of the
Management Board of Deutsche
Genossenschaftsbank AG,
Frankfurt / Main

Central Managing Board

The Central Managing Board is the most senior decision-making board of the Würth Group. It has four members and is comparable to the management board of a group holding company. Its most important duties include corporate strategy planning, the selection of executives as well as the management of strategic business units and functions.

Robert Friedmann
Chairman of the
Central Managing Board
of the Würth Group

Peter Zürn
Deputy Chairman of the
Central Managing Board
of the Würth Group

Bernd Herrmann
Member of the
Central Managing Board
of the Würth Group

Joachim Kaltmaier
Member of the
Central Managing Board
of the Würth Group

Executive Vice Presidents

The Executive Vice Presidents constitute the operational management of the Würth Group. Each of the members is in charge of one strategic business unit or responsible for one functional area.

Joachim Breitfeld
Chemicals Group

Rainer Bürkert
Würth Line Industry (excl. USA), Würth Line China, Asia and Oceania

João Cravina
Würth Line South America and Portugal

Dr. Steffen Greubel
Würth Line Italy, Corporate Development

Norbert Heckmann
Würth Line Craft Germany, Chairman of Adolf Würth GmbH & Co. KG

Michel Kern
Würth International AG (until 6/30/2016)

Thomas Klenk
Purchasing and Product, Anchor production

Jürgen Klohe / Jörg Murawski
Würth Elektronik Group

Andreas Kräutle
Tools Companies

Svein Oftedal
Würth Line Scandinavia (excl. Finland) and Africa

Pentti Rantanen
Würth Group Finland and the Baltic States

Uwe Schaffitzel / Ulrich Liedtke
Electrical Wholesale

Dr. Reiner Specht
Würth Line Russia and Sub-Regions of Southern and Western Europe, Trade Unit, Deputy Member of the Central Managing Board of the Würth Group

Ulrich Steiner
DIN / Standard Stainless Steel Parts

Robert Stolz
Würth Line Auto USA, Würth Line Wood USA and Canada (until 6/30/2016)

Marc Strandquist
Würth Line Industry America

C. Sylvia Weber
Director of Museum Würth / Kunsthalle Würth, Curator of the Würth Collection

Mario Weiss
Würth Line UK, Ireland, Eastern Europe, Balkans and the Middle East, Würth Line Auto USA and Canada

Ernst Wiesinger
RECA Group

Alois Wimmer
Production of Screws and Anchors

Markus Würth
Fittings Manufacturers

AUDIT OPINION OF THE INDEPENDENT AUDITOR

The following audit opinion was issued by the Group auditor on the full consolidated financial statements including the list of shareholdings and the Group management report:

"We have audited the consolidated financial statements prepared by the Würth Group, Künzelsau, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the notes on the consolidated financial statements, together with the Group management report for the fiscal year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the EU, as well as the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ['Handelsgesetzbuch': German Commercial Code] are the responsibility of the Central Managing Board of the Würth Group. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit. In addition, we have been instructed to express an opinion as to whether the consolidated financial statements fully comply with IFRS.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account when determining audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit entails assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and the IFRS as a whole and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, March 10, 2017
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Blesch
Auditor	Auditor

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The editorial team would like to thank the many people who helped prepare this Annual Report.

In order to improve legibility, male pronouns were often used in this Annual Report as opposed to making consistent use of both female and male pronouns. Such pronouns are always, however, intended for both genders.

This Group Annual Report is also published in German. The German version shall prevail.

The German and English versions of this Annual Report and further information about the Würth Group can be found online at: **www.wuerth.com**

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